NIKO REPORTS RESULTS FOR THE YEAR ENDED MARCH 31, 2014

Niko Resources Ltd. ("Niko" or the "Company") is pleased to report its operating and financial results for the quarter and year ended March 31, 2014. The operating results are effective June 26, 2014. All amounts are in US dollars unless otherwise indicated and all amounts are reported using International Financial Reporting Standards unless otherwise indicated.

BOARD OF DIRECTORS MESSAGE TO THE SHAREHOLDERS

In the second quarter of fiscal 2014, the Company adopted a new business strategy that incorporates the following principles:

- Focus on value generation in the D6 Block;
- Reduce the Company's exposure to future drilling commitments in its exploration portfolio while, if possible, maintaining optionality to benefit from the exploration potential in the portfolio; and
- Continue to restructure the Company to create the necessary financial strength and flexibility to realize the inherent value of the Company's assets.

In the third quarter of fiscal 2014, the Company closed on its $340 million debt facility while simultaneously raising approximately $30 million (net) in equity. Through this financing, the Company rebalanced its debt obligations, extended the majority of its debt maturities out to calendar 2017, finalized a settlement agreement for its long term drilling contracts, and added $174 million in cash to the Company's balance sheet, thus providing funding and time for execution of the Company's new strategic focus.

In addition, over the past year, the Company implemented the following:

- Suspension of exploration activities outside of India – Exploration efforts ceased in Indonesia, Trinidad, Madagascar, and Brazil, with drilling and technical staffing reduced significantly. Activities in these countries are now focussed on farm-outs and/or sales of working interests along with extensions of drilling obligations or modifications of terms. In addition, the Company initiated discussions with its vendors in Indonesia and Trinidad towards settlement of the payables accrued from its drilling programs
- Expansion of the Board of Directors – Four new independent directors joined the board, bringing expertise and in-depth experience in corporate turnarounds and rebuilding, and the Board formed a special Restructuring Committee to directly oversee the Company's restructuring efforts.
- Changes in management – New executive talent joined the Company with practical experience in financial restructuring and the Company hired an "in-house" general counsel. The Company also retained specialized consultants to advise on the many technical aspects of corporate restructuring. More recently, the Board has retained a search firm to identify candidates for a new Chief Executive Officer who is to provide the leadership to complete the Company's restructuring and develop the strategic roadmap for future value growth of the Company.

In the first quarter of fiscal 2015, the Company sold its interest in the Block 5(c) asset, providing funds to repay $15 million of its settlement obligation for its drilling contracts and $20 million of the short-term Facility E portion of the term loan, and adding an additional $26 million in cash to the balance sheet.

The Company is now dealing with the decisions of the Government of India ("GOI") to defer, first in March and now in June, the notification of the natural gas price calculated from the pricing formula in the Domestic Natural Gas Guidelines, 2014 ("Guidelines") that the GOI had notified earlier in the year. In the opinion of the contractor group of the D6 Block, the GOI has contravened the terms of the D6 production sharing contract ("PSC") and as a result, the contractor group filed an arbitration notice against the GOI seeking implementation of the Guidelines in accordance with the terms and conditions of the PSC. The D6 contractor group will endeavour to work with the GOI to achieve a prompt and efficient resolution to this dispute.

On behalf of the Board of Directors, I would like to thank the people of Niko for their diligent efforts during this year and our shareholders for their continued support as we all move forward into the future.

Wendell R. Robinson – Chairman of the Board, Niko Resources Ltd.

ESTIMATED RESERVES and ESTIMATED AFTER-TAX NET PRESENT VALUE OF FUTURE NET REVENUE

Estimated Reserves

	As at March 31,	
Gross[1] (Bcfe)	2014	2013
Proved[2]	584	564
Proved plus Probable[2]	826	821

(1) 'Gross' reserves are defined as those accruing to the Company's working interest share before deduction of royalties and government share of profit petroleum.

(2) Table includes 197 Bcf of proved natural gas reserves and 235 Bcf of proved plus probable natural gas reserves related to the Company's interest in Block 5(c) in Trinidad and Tobago that was sold subsequent to March 31, 2014.

In fiscal 2014, net additions to proved reserves and to proved plus probable reserves on a gas equivalent basis (before the impact of production) exceeded production in the year, resulting in proved reserve replacement ratio of approximately 150 percent and proved plus probable reserve replacement ratio of approximately 110 percent.

India

Net additions to proved reserves on a gas equivalent basis (before the impact of production) amounted to 13 Bcfe for the D6 Block, approximately seven percent of the March 31, 2013 balance for the block, with virtually no revisions reflected for proved plus probable reserves.

Bangladesh

Net additions to proved reserves on a gas equivalent basis (before the impact of production) of 48 Bcfe were reflected for Block 9, increasing proved reserves to 128 Bcfe even after production of 21 Bcfe. This represents the second consecutive year of strong results on a proved basis. Proved plus probable reserves for Block 9 increased to 172 Bcfe from 150 Bcfe at March 31, 2013.

Trinidad and Tobago

The Company's estimated reserves as at March 31, 2014 included 197 Bcf of proved natural gas reserves and 235 Bcf of proved plus probable natural gas reserves related to its interest in Block 5(c) in Trinidad and Tobago that was sold subsequent to March 31, 2014.

Estimated After-tax Net Present Value of Future Net Revenue

	As at March 31,	
(millions of US dollars)	2014	2013
Proved[1]	695	761
Proved plus Probable[1]	1,147	1,299

(1) Table includes after-tax net present value of future net revenue of $125 million for proved reserves and $159 million for proved plus probable reserves related to the Company's interest in Block 5(c) in Trinidad and Tobago that was sold subsequent to March 31, 2014.

After adjusting for the sale of the Company's interest in Block 5(c) in Trinidad and Tobago that closed in the first quarter of fiscal 2015, the estimated aggregate after-tax net present value of future net revenue attributable to the Company's estimated proved plus probable reserves (discounted at 10 percent and estimated using forecast prices and costs) as at March 31, 2014 is approximately $1 billion.

Complete details of the Company's reserves and future net revenues attributable thereto are contained in its Annual Information Form for the year ended March 31, 2014 which will be available on SEDAR at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Niko Resources Ltd. ("Niko" or the "Company") is a company incorporated in Alberta, Canada. The address of its registered office and principal place of business is Suite 4600 Devon Tower, 400 – 3 Avenue SW, Calgary, Alberta, Canada, T2P 4H2. The Company is engaged in the exploration for and development and production of oil and natural gas, primarily in India, Bangladesh, Indonesia, and Trinidad. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "NKO".

The following Management's Discussion and Analysis ("MD&A") of the financial condition, results of operations and cash flows of the Company for the year ended March 31, 2014 should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2014. This MD&A is dated June 26, 2014. Additional information relating to the Company, including the Company's Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com. All financial information is presented in thousands of US Dollars unless otherwise indicated.

The term "the quarter" is used throughout the MD&A and in all cases refers to the period from January 1, 2014 through March 31, 2014. The term "prior year's quarter" is used throughout the MD&A for comparative purposes and refers to the period from January 1, 2013 through March 31, 2013. The fiscal year for the Company is the 12-month period ending March 31. The terms "fiscal 2013" and "prior year" is used throughout this MD&A and in all cases refers to the period from April 1, 2012 through March 31, 2013. The terms "fiscal 2014", "current year" and "the year" are used throughout the MD&A and in all cases refer to the period from April 1, 2013 through March 31, 2014. The term "fiscal 2015" is used throughout the MD&A and in all cases refer to the period from April 1, 2014 through March 31, 2015.

Mcfe (thousand cubic feet equivalent) is a measure used throughout the MD&A. Mcfe is derived by converting oil and condensate to natural gas in the ratio of 1 bbl:6 Mcf. Mcfe may be misleading, particularly if used in isolation. A Mcfe conversion ratio of 1 bbl: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. MMBtu (million British thermal units) is a measure used in the MD&A. It refers to the energy content of natural gas (as well as other fuels) and is used for pricing purposes. One MMBtu is equivalent to 1 Mcf plus or minus up to 20 percent, depending on the composition and heating value of the natural gas in question.

Cautionary Statement Regarding Forward-Looking Information and Material Assumptions

Certain statements in this MD&A are "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws, herein referred to as "forward looking statements" or "forward looking information". Forward-looking information is frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate," "estimate," "scheduled," "potential" or other similar words, or statements that certain events or conditions "may," "should" or "could" occur. Forward-looking information is based on the Company's expectations regarding its future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. Such forward-looking information reflects the Company's current beliefs and assumptions and is based on information currently available to it. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information including risks discussed below. Although the forward-looking information contained in this report is based upon assumptions which the Company believes to be reasonable, it cannot assure investors that actual results will be consistent with such forward-looking information. Because of the risks, uncertainties and assumptions inherent in forward-looking information, you should not place undue reliance on this forward-looking information. See also "Risk Factors."

Specific forward-looking information contained in this MD&A may include, among others, statements regarding:

- a shift in strategic focus of the Company, specifically, the planned limitation of exploration outside of India and Bangladesh, and the planned decrease in commitments and capital obligations with respect to exploration and evaluation assets;
- the timing and success of workovers to bring some of the Company's shut in wells back online;
- the timing and success of the conversion of certain suspended oil wells into gas production wells and the potential for acceleration of production of gas reserves as a result;
- the addition of compression at the gas processing plant and the sustained production levels resulting therefrom;
- the success in securing farm-outs, swaps, or asset sales in India, Trinidad, Brazil and Madagascar and the rescheduling of certain of the Company's work commitments;

- the ability to seek joint venture partners;
- the granting of the Company's applications for relinquishments in respect of certain assets;
- the sufficiency of the restricted cash and oil and gas revenues to satisfy the cash requirements for the Company's operational subsidiaries in India and Bangladesh for the foreseeable future;
- whether the Company's restructuring efforts will be sufficient to allow certain of the Company's exploration subsidiaries to meet existing and future obligations and create necessary financial strength and flexibility needed to fully realize the inherent value of the Company's assets.
- the performance characteristics of the Company's oil, natural gas liquids ("NGL") and natural gas properties;
- natural gas, crude oil, and condensate production levels, sales volumes and revenue;
- the volume and value of the Company's oil, NGL and natural gas reserves;
- India new gas pricing formula including the effective date of implementation;
- projections of market prices and costs;
- supply and demand for oil, NGL and natural gas;
- the Company's ability to raise capital and to continually add to reserves through development;
- future funds from operations;
- debt and liquidity levels, and particularly in respect of debt and liquidity;
    - term loan and settlement agreement with Diamond Offshore;
    - the proposed sale of non-core assets and farm-out transactions involving exploratory production sharing contract ("PSC");
    - deferred obligations under the D6 Royalty Agreements; and
    - the satisfaction of all conditions under the term loan.
- future royalty rates;
- treatment under governmental regulatory regimes and tax laws;
- work commitments and capital expenditure programs;
- the Company's future development and exploration activities and the timing of these activities, including drilling and workover activities in the D6 Block in India and the corresponding increases in sales volumes from these drilling activities;
- the Company's plans regarding non-core asset dispositions and farm-outs in India and Trinidad;
- the Company's future ability to satisfy certain contractual obligations;
- future economic conditions, including future interest rates;
- the impact of governmental controls, regulations and applicable royalty rates on the Company's operations;
- the Company's expectations regarding the development and production potential of its properties;
- the Company's expectations regarding the costs for development activities;
- the resolution of various legal claims raised against the Company;
- the potential for asset impairment and recoverable amounts of such assets; and
- changes to accounting estimates and accounting policies.

The forward-looking statements contained in this MD&A are based on certain key expectations and assumptions made by us, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the availability of capital to undertake planned activities and the availability and cost of labor and services. Although the Company believes that the expectations reflected in the forward-looking statements in this MD&A are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and natural gas industry in general, such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, governmental regulation, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and the Company's ability to access sufficient capital from internal and external sources, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation risks, changes in tax, royalty and environmental legislation, the impact of general economic conditions, risks associated with meeting all the Company's financing obligations and contractual commitments (including work commitments), the risks discussed under "Risk Factors" in the Company's most recent AIF and under the heading "Risk Factors" herein and in the Company's public disclosure documents, and other factors, many of which are beyond the Company's control. The reserves estimates presented herein are derived from the report of Deloitte LLP, an independent qualified reserves evaluator and auditor. Information relating to "reserves" are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future to achieve the future net revenue calculated in accordance with certain assumptions. The assumptions relating to the reserves reported herein are contained in the reports of

Deloitte LLP dated June 25, 2014 and effective March 31, 2014 and are summarized in Niko's AIF. Future net revenues associated with reserves do not necessarily represent fair market value. Additionally, test results from exploration discoveries may not be reflective of long-term performance or stabilized production levels of such wells or ultimate recovery. You are cautioned that the foregoing list of factors and risks is not exhaustive.

The Company prepares production forecasts taking into account historical and current production, and actual and planned events that are expected to increase or decrease production and production levels indicated in its reserve reports.

The Company prepares capital spending forecasts based on internal budgets for operated properties, budgets prepared by the Company's joint venture partners, when available, for non-operated properties, field development plans and actual and planned events that are expected to affect the timing or amount of capital spending.

The Company prepares operating expense forecasts based on historical and current levels of expenses and actual and planned events that are expected to increase or decrease production and/or the associated expenses. Niko makes no representation that the actual results achieved during the forecasted period will be the same in whole or in part as those forecasts.

The Company discloses the nature and timing of expected future events based on budgets, plans, intentions and expected future events for operated properties. The nature and timing of expected future events for non-operated properties are based on budgets and other communications received from joint venture partners.

The Company updates forward-looking information related to operations, production and capital spending on a quarterly basis when the change is material and update reserve estimates on an annual basis. See "Risk Factors" for discussion of uncertainties and risks that may cause actual events to differ from forward-looking information provided in this report. The information contained in this report, including the information provided under the heading "Risk Factors," identifies additional factors that could affect the Company's operating results and performance. The Company urges you to carefully consider those factors and the other information contained in this report.

The forward-looking statements contained in this report are made as of the date of this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable law. The forward-looking statements and the forward-looking information contained in this report are expressly qualified by this cautionary statement.

Non-IFRS Measures

The selected financial information presented throughout this MD&A is prepared in accordance with International Financial Reporting Standards "(IFRS"), except for "EBITDAX', and "segment profit". These non-IFRS financial measures, which have been derived from the audited consolidated financial statements and applied on a consistent basis, are used by management as measures of performance of the Company. These non-IFRS measures should not be viewed as substitutes for measures of financial performance presented in accordance with IFRS or as a measure of a company's profitability or liquidity. These non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

The Company utilizes EBITDAX to assess performance and to help determine its ability to fund future capital investments and to repay debt. EBITDAX is calculated as net income before interest expense, income taxes, depletion and depreciation expenses, exploration and evaluation expenses, and other non-cash items (gain or loss on investments, asset impairment, share-based compensation expense, restructuring expenses, accretion expense, and unrealized foreign exchange gain or loss).

The Company utilizes segment profit to evaluate performance by segment and overall. Segment profit is defined as oil and natural gas revenues less royalties, the government share of profit petroleum, production and operating expenses, depletion expense, exploration and evaluation expense and current and deferred income taxes related to each business segment.

These non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

BUSINESS HIGHLIGHTS

The significant business highlights of fiscal 2014 are as follows:

	Three months ended March 31,		Year ended March 31,	
	2014	2013	2014	2013
Sales volumes (MMcfe/d)				
D6 Block, India	50	71	51	96
Block 9, Bangladesh	67	51	59	56
Other	2	4	2	6
Total	119	126	112	158

D6 Block, India

- New pricing formula for domestic gas sales in India approved by the Government of India ("GOI"), to be effective from April 1, 2014. Notification of the price has been deferred by the GOI until October 1, 2014, and in May 2014, the contractor group for D6 Block issued notice of arbitration seeking implementation of the approved pricing formula.
- Significant oil and gas discovery made at MJ field in the D6 Block, adding to the resource potential in the block. The appraisal program commenced with the drilling of MJ-A1 and MJ-A2 appraisal wells. The drilling of MJ-A1, located in the western fault block on the field, was completed in January 2014 and technical evaluation suggested a gross pay interval of 130 meters and pre-drill expectations were largely confirmed. The drilling of MJ-A2, located to target the eastern fault block on the field, was completed in June 2014 and encountered high quality Mesozoic synrift reservoir, similar to the quality and age of the hydrocarbon bearing sections found in MJ-1 and MJ-A1, but the targeted section was wet. The implication of the MJ-A2 well is a reduction of the areal extent of the discovery from an estimated 65 square kilometers to an estimated 38 to 45 square kilometers, approximately 3.5 to 4 times the areal extent of the analogous MA field. The results of the two appraisal wells are being integrated into the plans for further appraisal drilling and subsequent options for development. The MJ field remains a material discovery and is well positioned to take advantage of the existing KG-D6 Block infrastructure. The Company and its partners are accelerating the commercial assessment of this significant discovery.
- Plan for R-Cluster development project in the D6 block approved by the GOI, providing the opportunity for significant production growth for the Company in the future. The final decision to proceed with the project is pending resolution of the gas pricing issue noted above.
- MA-8 development well brought on-stream in the fourth quarter of the year, increasing production from the D6 block for the first time in nearly four years. MA-6H sidetrack commenced drilling in the fourth quarter and brought on-stream in the first quarter of fiscal 2015.
- Production optimization efforts for existing fields in the D6 block underway with (i) workover campaigns on existing shut-in wells, and (ii) engineering and construction activities for booster compression, with targeted completion by the fourth quarter of fiscal 2015. The initial two workovers in the Dhirubhai 1 and 3 fields did not succeed due to mechanical well bore difficulties, and the third workover operation is currently underway.

Block 9, Bangladesh

- Workovers completed on two wells in the Bangora field, resulting in a sustained production level of approximately 66 Mmcfe/d since the middle of the year.
- Engineering and construction activities for plant compression ongoing, with targeted completion in the first quarter of fiscal 2015.

Legal Proceedings

- Decision issued by an tribunal constituted under the Rules of the International Centre for Settlement of Investment Disputes ("ICSID") respecting its jurisdiction to decide two arbitration claims related to the Company's Feni and Chattak assets in Bangladesh. The arbitration processes on both claims have commenced and a hearing on the payment claim occurred in May 2014 with a decision from the arbitral panel expected in the second quarter of fiscal 2015.

Restructuring

- Term loan facilities agreement entered into, repaying certain of the Company's debt obligations outstanding at the time and providing significant capacity for the Company's planned capital program, focused primarily on developing and appraising the fields in the D6 Block in India.
- Settlement agreement executed for Diamond Offshore related to drilling contracts in Indonesia and Trinidad.
- Exploration efforts in Indonesia and Trinidad suspended in the second quarter of the year, with the Company's focus shifting to working with the various governments and partners to maximize the optionality of its exploration portfolio, while working to strengthen its balance sheet
- Combined net proceeds of $58 million received in the year related to farm-outs and other arrangements, with the sale of the Company's interest in Block 5(c) in Trinidad contributing an additional $62 million of gross proceeds in the first quarter of 2015.

BUSINESS REVIEW

The Company's principal assets are its interests in the D6 block in India and Block 9 in Bangladesh.

D6 Block, India

Gas pricing

In June 2013, the Cabinet Committee on Economic Affairs of the GOI approved a new gas pricing formula for domestic gas sales in India, based on the recommendations of the Rangarajan Committee report issued in December 2012. The pricing formula, to be effective on April 1, 2014 for a period of 5 years, incorporates the prices of LNG imported into India and the prices of natural gas sold in North America, Europe and Japan, with the prices to be updated on a quarterly basis based on the trailing four quarters of pricing information with a lag of one quarter. In January 2014, the GOI formally announced the "Domestic Natural Gas Pricing Guidelines, 2014". Notifications of the price resulting from the formula were to be issued in the month prior to the start of each quarter. In March 2014, the GOI did not notify the new price calculated using the approved pricing formula (and subsequently deferred the notification to be effective October 1, 2014), and under protest, but in good faith, the contractor group for the D6 block has kept supplying gas to its customers, with the customers continuing to pay for the gas under the terms of the contracts that had expired on March 31, 2014. In May, 2014, Reliance, BP and Niko, the contractor group of the D6 block in India, issued a notice of arbitration to the GOI seeking the implementation of the Domestic Natural Gas Pricing Guidelines, 2014.

Dhirubhai 1 and 3 gas fields

During fiscal 2014, production from the Dhirubhai 1 and 3 gas fields declined reflecting anticipated natural declines and reservoir management activities. A workover program designed to bring currently shut-in wells back online commenced in the latter part of fiscal 2014 to mitigate the impact of the natural declines and increase the productive capability of the field. The initial two workover operations were not successfully completed due to mechanical difficulties and the third workover operations is currently underway. Additional booster compression is expected to be installed at the onshore gas processing terminal by the fourth quarter of fiscal 2015 to address the decline in reservoir pressure.

MA oil and gas field

In the fourth quarter of fiscal 2014, production began from the new MA-8 gas development well, significantly increasing the production from the MA oil and gas field and offsetting the impact of the natural declines of the field. Drilling of the MA-6H sidetrack well commenced in the fourth quarter of fiscal 2014 and the well was brought on-stream in the first quarter of fiscal 2015. Drilling of an additional sidetrack well is planned for later in fiscal 2015 to further enhance the production from the field.

R-Cluster gas fields

In August 2013, the GOI approved the field development plan for the R Cluster gas fields. The plans include the re-entry and completion of certain existing wells and the drilling of new wells, all connected with new flow-lines and other facilities into existing D6 Block infrastructure. Front-end engineering and design work has been completed and the procurement work for the project has been initiated. The final investment decision for the project is pending the resolution of the gas pricing issues referenced above.

MJ field discovery

In March 2013, after a multi-year hiatus, exploration drilling recommenced in the D6 Block in India with the drilling of the MJ-1 exploration well. In May 2013, the joint venture partners announced a significant gas and condensate discovery. The MJ-1 well was drilled to a water depth of 1,024 metres - and to a total depth of 4,509 metres - to explore the prospectivity of a Mesozoic Synrift

Clastic reservoir lying over 2,000 metres below the already producing reservoirs in the Dhirubhai 1 and 3 gas fields. Formation evaluation indicates a gross gas and condensate column in the well of about 155 metres in the Mesozoic reservoirs. In the drill stem test, the well flowed 30.6 MMcf/d of natural gas and 2,121 b/d of liquids though a choke of 36/64", with a flowing bottom hole pressure of 8461 psia suggesting good flow potential. Well flow rates during such tests are limited by the rig and well test equipment configuration. The discovery, named 'D-55', was notified to the GOI and the Management Committee of the block. Readers are cautioned that test results are not necessarily indicative of long-term performance or of ultimate recovery. Subsequent to the completion of the MJ-1 drilling operations, a preliminary technical evaluation was conducted that incorporated all seismic and new well data. Principal findings at the time demonstrated that most parameters for the MJ reservoir exceeded the high end pre-drill estimates. In particular, MJ-1 had considerable thicker reservoir pay than the best case pre-drill assessment of the Company. The fully cored MJ-1 pay interval was found to be 95 percent sand bearing with net pay averaging 125 metres. In addition, the MJ-1 gas water contact, as confirmed by wireline log and MDT data, was at the equivalent depth of a mapped seismic flat spot and a northern structural spill point. The appraisal program for the MJ field commenced with the drilling of MJ-A1 and MJ-A2 appraisal wells. The drilling of MJ-A1, located in the western fault block on the field, was completed in January 2014 and technical evaluation suggested a gross pay interval of 130 meters and pre-drill expectations were largely confirmed. The drilling of MJ-A2, located to target the eastern fault block on the field, was completed in June 2014 and encountered high quality reservoir, similar to the quality and age of the hydrocarbon bearing sections found in MJ-1 and MJ-A1, but the targeted section was wet. The implication of the MJ-A2 well is a reduction of the areal extent of the discovery from 65 square kilometers estimated after the MJ-1 discovery well to an estimated 38 to 45 square kilometers, approximately 3.5 to 4 times the areal extent of the analogous MA field. The results of the two appraisal wells are being integrated into the plans for further appraisal drilling and subsequent options for development. The MJ field remains a material discovery and is well positioned to take advantage of the existing KG-D6 Block infrastructure. Niko and its partners are accelerating the commercial assessment of this significant discovery.

Block 9, Bangladesh

In the first half of fiscal 2014, workovers of a well that had been suspended in the third quarter of fiscal 2013 and of a producing well were completed, increasing the production rate of the Bangora field to approximately 66 MMcf/d. During the year, engineering and construction activities continued on the compression project at the gas processing plant which is expected to be on-line by the second quarter of fiscal 2015 to provide the capability to sustain production levels. Development well locations have been identified to augment the well deliverability when needed.

Legal Proceedings – ICSID Arbitration

In August 2013, an international tribunal constituted under the Rules of the ICSID issued a decision respecting its jurisdiction to decide two arbitration claims initiated by Niko Resources (Bangladesh) Ltd. ("NRBL") against the Government of Bangladesh and two of its crown corporations, Bangladesh Oil Gas & Mineral Corporation ("Petrobangla") and Bangladesh Petroleum Exploration & Production Company Limited ("Bapex").

In the arbitration respecting responsibility for and damages arising from the Chattak well blow-outs in 2005 ("the Compensation Claim"), the relief sought by NRBL includes a declaration that NRBL has no liability for any damages arising from the blow-outs and that it owes no compensation for such damage. The Tribunal stated that there can be "no doubt" that it has jurisdiction to determine whether NRBL has any liability for the two blow-outs under the Joint Venture Agreement between it and Bapex and to make the requested declaration if it is well founded. The Tribunal rejected Bapex's arguments that ICSID did not have jurisdiction to decide the issues. The Tribunal, however, did not find jurisdiction respecting Petrobangla or the Government, noting that they were not parties to the Joint Venture Agreement and that the Joint Venture Agreement expressly stated that the responsibilities and obligations of Petrobangla and the Government "in all relevant Articles, Annexes and Amendments under this JVA" have been assigned to Bapex.

The second arbitration initiated with respect to NRBL's claim for payments owing to it, and in part to Bapex, by Petrobangla for gas deliveries made under the Gas Purchase and Sale Agreement between those parties since 2004 (the "Payment Claim") will also proceed. The ICSID Tribunal rejected Petrobangla's arguments contesting jurisdiction and confirmed ICSID's jurisdiction to determine NRBL's claim against Petrobangla for payments owing to NRBL for delivered gas.

The ICSID arbitration processes for each claim commenced following the decision jurisdiction. A hearing on the Payment Claim occurred in April 2014 and the Company expects the decision of the arbitral panel on this claim to be made in the second quarter of fiscal 2015. The hearing for the Compensation Claim is scheduled for the third quarter of fiscal 2015.

Restructuring

During fiscal 2014, the Company shifted its business strategy to developing and appraising the assets in the D6 block in India, while maintaining optionality on the balance of its exploration portfolio. As a result, the Company is currently evaluating options to capture value from its non-Indian exploration assets and is working on farming out portions of its interests in many of its exploration assets and rescheduling its exploration commitments.

Financial Restructuring

To provide the financial capacity to implement its new strategic focus, in the third quarter of fiscal 2014, the Company entered into a new secured term loan facilities agreement, closed an offering of equity securities, and executed a settlement agreement with Diamond Offshore for drilling contract obligations. At closing, the Company's revolving credit facility and secured loan agreement were fully repaid and the outstanding principal amounts of its unsecured notes were reduced with the terms of these notes amended to permit the holders to convert the outstanding amounts into common shares prior to maturity in July, 2013. The $174 million of net proceeds from the above transactions provided significant financial capacity for the Company's planned capital program, focused primarily on developing and appraising the assets in the D6 Block in India.

Indonesia

In the first quarter of fiscal 2014, the Company executed a farm-out agreement with Repsol SA for the transfer of a 30 percent interest in the Cendrawasih block in Indonesia to a subsidiary of Repsol.

In the second quarter of fiscal 2014, the drilling program in Indonesia was suspended after drilling of three unsuccessful wells and the Company is actively seeking potential buyers or joint ventures partners to dispose of or farm-down the Company's interests in its PSCs in Indonesia.

In the fourth quarter of fiscal 2014, the Government of Indonesia approved the transfer of a 100 percent interest in the Semai V PSC from Hess Corporation to the Company in connection with a definitive agreement signed in August 2013, and the Company received certain consideration in exchange for assuming the interest in the PSC. Two wells have been previously drilled in the block, Andalan 1 and 2, with one future commitment well yet to be drilled. Drilling results from these wells indicate hydrocarbon potential remaining on the block. The Company is working to farm-out a portion of its interest in the PSC.

Trinidad

In the third quarter of fiscal 2014, the Company executed a farm-out agreement with Range Resources Limited for 50 percent of the Company's interests in the Guayaguayare Shallow and Deep PSCs in Trinidad. Range is to earn its interest by funding two onshore commitment wells and a potential appraisal well at its sole expense, and will share the cost of drilling an offshore commitment well equally with Niko. The farm-out agreement and transfer of operatorship to Range is subject to the approval of the Government of Trinidad and Tobago. Drilling of the two onshore commitment wells is targeted for fiscal 2015.

In March 2014, the Company executed an agreement for the sale of the Company's 25 percent interest in Block 5(c) in Trinidad and Tobago to a subsidiary of the BG Group. In June 2014, the Government of Trinidad and Tobago approved the sale and the Company received net proceeds of $61 million. Portions of the net proceeds were used to repay $15 million of contract settlement obligations and $20 million of principal outstanding under the Facility E loan. Under the terms of the term loan facilities agreement, the Company has made a prepayment offer of $26 million to the holders of the Facility A term loan and the decision of the lender group was to decline the offer, resulting in additional cash being available for funding of the anticipated cash requirements of its operating subsidiaries in India and Bangladesh, its corporate general and administrative expenses, and its interest obligations.

Madagascar

In the third quarter of fiscal 2014, the Company farmed out a 40 percent interest in the Grand Prix PSC in Madagascar to OMV Offshore Morondava GmbH ("OMV"), an integrated international oil and gas company and the Company retaining a 35 percent working interest.

Brazil

In September 2013, the Company acquired interests in two contract areas in the Pernambuco-Paraiba basin in Brazil. The company's share of the total seismic commitments in the blocks is $3 million to be incurred before the end of the five year exploration period.

In the fourth quarter of fiscal 2014, the Company executed an agreement for licensing of a portion of the multi-beam data that it had previously acquired over many blocks awarded in the 11th Brazilian Licensing Round 2013.

CAPITAL AND EXPLORATION EXPENDITURES, NET OF PROCEEDS OF FARM-OUTS AND OTHER ARRANGEMENTS

Year ended March 31, 2014						
(thousands of US Dollars)	Additions to exploration and evaluation assets[(1)(2)]	Additions to capital inventory	Directly expensed exploration and evaluation costs[(1)]	Additions to property, plant and equipment[(1)]	Proceeds from farm-outs and other arrangements	Total
India / Bangladesh	19,864	-	1,794	37,804	-	59,462
Other countries	71,237	24,809	75,358	281	(39,925)	131,760
Total	91,101	24,809	77,152	38,085	(39,925)	191,222

(1) Share-based compensation and other non-cash items are excluded.

(2) Includes additions that were subsequently written off.

India / Bangladesh

Capital and exploration expenditures in India and Bangladesh totaled $59 million for fiscal 2014, including $16 million in the fourth quarter. Development capital of $38 million for the year related primarily to the drilling of the MA-8 development well and workovers/sidetrack operations in the D6 Block in India and to a compression facility project in Block 9 in Bangladesh. Exploration and evaluation capital of $20 million for the year related primarily to the drilling of the successful MJ-1 discovery well and follow-up MJ-A1 appraisal well in the D6 Block in India. Exploration and evaluation costs expensed directly to income of $2 million for the year related primarily to the seismic acquisition and processing for the MJ field in the D6 Block in India.

Other Countries (primarily Indonesia and Trinidad)

Capital and exploration expenditures outside of India and Bangladesh totaled $172 million for fiscal 2014. Exploration and evaluation capital of $72 million for the year related primarily to the costs of three unsuccessful exploration wells drilled in Indonesia and one well that had been planned to be drilled in Trinidad, prior to the suspension of the Company's drilling programs in these countries in the second quarter of the year. Capital inventory purchased for wells not drilled in the year amounted to $25 million. Exploration and evaluation costs expensed directly to income of $75 million for the year included rig mobilization and standby costs incurred subsequent to suspension of the drilling programs in Indonesia and Trinidad, costs related to seismic and other exploration projects and branch office costs. In the fourth quarter, exploration and evaluation costs expensed directly to income of $5 million reflected the Company's reduction in staffing and exploration efforts outside of India.

The Company's efforts on farm-outs and other arrangements generated proceeds of $58 million for the year including net proceeds received from the farm-out of the Cendrawasih block in Indonesia, the Company's exit from the Qara Dagh block in Kurdistan, the farm-out of the Grand Prix block in Madagascar, and consideration received in the fourth quarter of the year in exchange for assuming a 100 percent interest in the Semai V block in Indonesia (including a future drilling commitment). $40 million of these proceeds were reflected on the statement of cash flows as cash related to investing activities, while $18 million of funds received from the farm-out of the Grand Prix block in Madagascar that were in excess of the book value recorded for the property were reflected as cash related to operating activities.

FINANCIAL HIGHLIGHTS

(thousands of US Dollars, except per share amounts)	Year ended March 31, 2014	2013
EBITDAX[1]	100,818	152,810
Net loss	(657,006)	(216,497)

(1) Non-IFRS measures as defined under "Non-IFRS measures" in this MD&A.

EBITDAX / Net Loss

The following table provides a reconciliation of net loss under IFRS as disclosed in the audited consolidated statements of comprehensive income/(loss) to EBITDAX.

(thousands of US Dollars)	Year ended March 31, 2014	2013
Oil and natural gas revenue	129,402	199,364
Production and operating expenses	(41,995)	(35,523)
General and administrative expenses	(9,520)	(6,931)
Finance and other income	22,464	2,310
Bank charges and other finance costs	(780)	(3,285)
Realized foreign exchange gain (loss)	1,247	(3,125)
EBITDAX[1]	**100,818**	**152,810**
Interest expense	(35,685)	(21,806)
Cash restructuring costs	(9,418)	-
Current income tax (expense) recovery	(2)	289
Non-cash production and operating expenses	(370)	(1,255)
Depletion and depreciation expenses	(109,222)	(145,250)
Exploration and evaluation expenses	(198,465)	(172,811)
Non-cash restructuring costs	(25,743)	-
Non-cash other income	20,000	-
Loss on investments	(1,342)	(2,106)
Asset impairment	(511,563)	(67,831)
Reversal of asset impairment	-	101,544
Share-based compensation expense	(7,948)	(10,894)
Accretion expense	(29,531)	(8,677)
Loss on derivative	(15,544)	-
Unrealized foreign exchange loss	(7,645)	(76)
Deferred income tax recovery (expense)	174,654	(40,434)
Net loss	**(657,006)**	**(216,497)**

(1) Non-IFRS measures as defined under "Non-IFRS measures" in this MD&A.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Oil and natural gas revenue

For the current year, oil and natural gas revenue decreased compared to the prior year primarily due to anticipated natural declines and reservoir management activities in the D6 Block of India, partially offset by increased sales revenues from Block 9 in Bangladesh resulting from workovers completed in the year.

Production and operating expenses

Production and operating expense for the current year increased compared to the prior year primarily due to the cost of workovers in Block 9 in Bangladesh.

General and administrative expenses

General and administrative expenses for the current year increased primarily due to legal costs associated with the Company's ICSID arbitration cases in Bangladesh.

Finance and other income

Finance and other income for the current year primarily reflected $38 million of combined proceeds from the farm-out of the Grand Prix block in Madagascar and the agreement related to the Semai V block in Indonesia, a recorded benefit from the transfer of the Company's interest in a Canadian producing property as part of the retirement agreement with the former President and Chief Executive Officer, an insurance premium refund in India relating to prior years, and proceeds from a data licensing agreement in Brazil. The consideration received from Hess Corporation in the fourth quarter of 2014 is reflected on the audited consolidated statement of cash flows as proceeds from farm-outs and other arrangements and as a non-cash adjustment in determining cash flow from operating activities.

Realized foreign exchange gain (loss)

Realized foreign exchange gain in the current year resulted from the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated accounts payable. The exchange rate as at March 31, 2014 was $1 USD to 60 INR compared to $1 USD to 54 INR as at March 31, 2013.

Interest expense

Interest expense for the current year increased primarily due to the term loan facilities agreement entered into during the third quarter of fiscal 2014.

Restructuring costs

Cash restructuring costs in the current year related to retirement allowances and advisory costs for the Company's overall restructuring efforts.

Non-cash restructuring costs incurred in the current year related to the settlement of Company's drilling contract obligations with Diamond Offshore in Indonesia, partially offset by share-based compensation adjustments resulting from the forfeiture of stock options by former management and employees of the Company.

Current income tax (expense) recovery

Current income tax recovery in the prior year resulted from an adjustment in the government share of profit petroleum for the Hazira field in India.

Depletion and depreciation expenses

Depletion and depreciation expenses decreased in the current year primarily due to lower production volumes.

Exploration and evaluation expenses

Exploration and evaluation expenses in the current year related primarily to costs associated with unsuccessful wells in Indonesia, directly expensed costs of seismic and other exploration projects, payments specified in various PSCs, and branch office costs related to exploration activities. Exploration and evaluation expenses in the prior year related primarily to costs associated with unsuccessful wells in Indonesia and Trinidad, directly expensed costs of seismic and other exploration projects, payments specified in various

PSCs, and branch office costs related to exploration activities.

Asset impairment

Asset impairments for the current year relate to the reduction in the carrying value of exploration and evaluation assets, and capital inventory in Indonesia and Trinidad to the Company's estimates to net recoverable amounts. Asset impairment in the prior year related to the reduction in the carrying value of the exploration and evaluation assets in Kurdistan.

Share-based compensation expense

Share-based compensation expense in the current year decreased as a result of lower stock prices and higher forfeitures of stock options compared to prior year.

Accretion expense

Accretion expense increased in the current year compared to prior year primarily due to obligations entered into during the year as part of the Company's financial restructuring.

Loss on derivative

In the fourth quarter of fiscal 2014, the Company's outstanding deferred obligation related to the D6 block in India was revalued based on the production volumes and gas prices assumed in reserve report for the D6 block as at March 31, 2014, resulting in the recognition of a $16 million loss on derivative.

Unrealized foreign exchange loss

Unrealized foreign exchange loss increased from prior year due to the impact of the weakening of the Canadian Dollar against the US Dollar which resulted in recording of foreign exchange loss on US Dollar denominated debt in a Canadian Dollar functional currency entity. The exchange rate as at March 31, 2014 was $1 USD to $1.11 CAD compared to $1 USD to $1.02 CAD as at March 31, 2013. In addition, an unrealized foreign exchange loss occurred in the current year due to weakening of the Indian Rupee on Indian Rupee based income tax receivables.

Deferred income tax recovery

The deferred income tax recovery for the current year related primarily to the impairment of exploration and evaluation assets in Indonesia. In the prior year, the deferred income tax expense mainly related to the issuance of convertible notes in December 2012 and from a reduction in exploration and evaluation assets related to proceeds from a farm-out and from a former partner in exchange for assuming the partner's obligation for future drilling commitments in Indonesia.

SEGMENT PROFIT

India

(thousands of US Dollars)	Year ended March 31, 2014	2013
Natural gas revenue	75,016	144,070
Oil and condensate revenue	23,860	38,372
Royalties	(5,047)	(9,255)
Government share of profit petroleum	(1,357)	(9,552)
Production and operating expense	(25,370)	(26,042)
Depletion and depreciation expense	(101,400)	(131,480)
Asset impairment reversal	-	101,544
Exploration and evaluation expense	(1,448)	(1,300)
Current income tax recovery	-	298
Deferred income tax recovery (expense)	13,808	(82,579)
Segment profit (loss)[(1)]	(21,938)	24,076
Daily natural gas sales (Mcf/d)	49,836	96,089
Daily oil and condensate sales (bbls/d)[(1)]	625	1,024
Operating costs ($/Mcfe)	1.26	0.70
Depletion rate ($/Mcfe)	4.98	3.47

(1) Segment profit (loss) is a non-IFRS measure as calculated above.

Segment profit for India includes results from the Dhirubhai 1 and 3 natural gas fields and the MA oil and natural gas field in the D6 Block, the Hazira oil and natural gas field and the Surat gas field.

Oil and natural gas revenue for the year decreased from the prior year, primarily due to anticipated natural declines and reservoir management activities in the D6 Block.

Royalties and the government share of profit petroleum for the current year decreased as a result of lower revenues. In addition, in the prior year, an additional $6 million of government share of profit petroleum was recognized for Hazira, as a result of a court ruling that found the 36-inch natural gas pipeline that the Company and GSPC constructed to connect the Hazira field to the local industrial areas was not eligible for cost recovery.

Production and operating expenses for the current year were relatively unchanged from the prior year.

Depletion and depreciation expense decreased for the current year, primarily due to lower production volumes partially offset by a higher depletion rate.

In the prior year, as a result of increased reserve volumes assigned to the D6 block in the March 31, 2013 reserve report, the Company recognized a $102 million reversal of the asset impairment recorded in fiscal 2012 related to the D6 block in India.

As part of its process in assessing for impairment triggers, the Company evaluated the situation regarding the expected increase Indian domestic gas price, based on the Domestic Natural Gas Guidelines, 2014 notified by the GOI in fiscal 2014 (see note 2 of the audited consolidated financial statements) and determined that no impairment triggers existed at March 31, 2014 relating to its development and producing assets in the D6 and NEC-25 blocks in India (combined value of $398 million).

As described in note 2 of the audited consolidated financial statements, there is significant uncertainty at this time as to the timing and magnitude of the price increase for the Company's future natural gas sales in India. A future natural gas price that is lower than the prices used in preparation of the Company's independent reserve evaluation for its India properties as at March 31, 2014 based upon the notified pricing formula (see note 4 of the audited consolidated financial statements) could impact the Company's plans for its assets in the D6 and NEC-25 blocks in India and could potentially result in impairment triggers and material impairments to the carrying values of these assets. The magnitude of any potential impairment is indeterminable at this time.

Current income tax recovery in the prior year related to the adjustment to the government share of profit petroleum for Hazira.

Deferred income tax recovery in the current year relates to a reduction in temporary differences in producing assets for the D6 block in India. Deferred income tax expense for prior year related to the reversal of temporary differences during the tax holiday period.

Bangladesh

(thousands of US Dollars)	Year ended March 31, 2014	2013
Natural gas revenue	48,852	46,444
Condensate revenue	6,213	6,891
Government share of profit petroleum	(18,611)	(18,049)
Production and operating expense	(16,711)	(10,278)
Depletion and depreciation expense	(6,920)	(12,441)
Exploration and evaluation expense	(197)	(361)
Restructuring costs	(3)	-
Segment profit[1]	12,623	12,206
Daily natural gas sales (Mcf/d)	57,780	54,936
Daily condensate sales (bbls/d)	163	175
Operating costs ($/Mcfe)	0.74	0.47
Depletion rate ($/Mcfe)	0.32	0.61

(1) Segment profit is a non-IFRS measure as calculated above.

Oil and gas revenues for the current year increased as a result of higher sales volumes resulting from the completion of well workovers in the year.

The government share of profit petroleum for the current year increased due to the increase in oil and gas revenues.

Production and operating expense for the current year increased primarily due to expensed workover costs.

Depletion and depreciation expense for the current year decreased due to a lower depletion rate arising from positive reserve revisions recorded at the end of fiscal 2013, partially offset by increased production volumes.

Indonesia

(thousands of US Dollars)	Year ended March 31, 2014	2013
Other income	20,000	311
Exploration and evaluation expense	(161,036)	(92,206)
Depletion and depreciation expense	(233)	(195)
Asset impairment	(478,427)	(16,281)
Income tax recovery	160,843	34,671
Restructuring costs	(36,031)	-
Segment loss[1]	(494,884)	(73,700)

(1) Segment loss is a non-IFRS measure as calculated above.

Other income for the current year reflected consideration received in exchange for assuming a 100 percent interest in the Semai V block (including a future drilling commitment).

Exploration and evaluation expenses of $161 million in the current year included $120 million of costs of unsuccessful wells primarily in the Kofiau, North Makassar and Cendrawasih blocks, $17 million for rig mobilization and standby cost for the drilling rig and associated services, $12 million for seismic and other exploration projects, $11 million of branch office costs and $1 million of share based compensation. In the prior year, exploration and evaluation expenses of $92 million included $60 million related to unsuccessful wells in Lhokseumawe and North Ganal blocks, $17 million relating to seismic and other exploration projects, $8 million for branch office costs, $3 million for new ventures and $4 million for share based compensation.

In the current year, the Company recognized $478 million of asset impairment related to reductions in the carrying values of its exploration and evaluation assets and capital inventory in Indonesia to the Company's estimates of net recoverable amounts. In the prior year, the Company recognized an asset impairment of $16 million for the Lhokseumawe block that has been relinquished.

Income tax recovery for the current year related to the impairment of acquisition cost included in exploration and evaluation assets. Income tax recovery for the prior year related to reductions in acquisition cost included exploration and evaluation assets as a result of the receipts of proceeds from a farm-out and from former partners in exchange for assuming the partners' obligations for future drilling commitments.

Restructuring costs of $36 million for the current year related to a $39 million settlement of contract drilling obligations, partially offset by the reversal of $3 million of share based compensation expenses due to the forfeiture of stock options.

Trinidad

	Year ended March 31,	
(thousands of US Dollars)	2014	2013
Exploration and evaluation expense	(28,717)	(58,445)
Depletion and depreciation expense	(113)	(128)
Asset impairment	(32,830)	(12,631)
Restructuring costs	(9)	-
Segment loss[1]	(61,669)	(71,204)

(1) Segment loss is a non-IFRS measure as calculated above.

Exploration and evaluation expenses for the current year of $29 million included $2 million for seismic and other exploration projects, $17 million for various exploration activities and for payments specified in the PSC, and $10 million for branch office costs. Exploration and evaluation expenses for the prior year of $58 million included $43 million related to unsuccessful wells in Block 2ab, $10 million of seismic and other exploration projects, $1 million for payments specified in various PSCs, and $4 million for branch office costs.

In the current year, the Company recognized $33 million of asset impairment related to reductions in the carrying values of exploration and evaluation assets in Central Range block, Block 5(c) and Block 4b to the Company's estimates of net recoverable amounts. In the prior year, the Company recognized an asset impairment of $13 million for Block 2ab.

Madagascar

	Year ended March 31,	
(thousands of US Dollars)	2014	2013
Other income	18,054	-
Exploration and evaluation expense	(1,116)	(1,258)
Depletion and depreciation expense	(14)	(28)
Segment profit (loss)[1]	16,924	(1,286)

(1) Segment profit (loss) is a non-IFRS measure as calculated above.

In the current year, the Company farmed out a 40 percent interest in the Grand Prix block in Madagascar and recorded the proceeds in excess of the carrying value of the interest as other income.

Exploration and evaluation expenses in the current and prior years related primarily to branch office costs.

Brazil

(thousands of US Dollars)	Year ended March 31, 2014	2013
Exploration and evaluation expense	(5,102)	(13,956)
Other income	721	-
Depletion and depreciation expense	(23)	-
Asset impairment	(298)	-
Segment loss[1]	(4,702)	(13,956)

(1) Segment loss is a non-IFRS measure as calculated above.

Exploration and evaluation expenses of $5 million in the current year included costs related to exploration projects and branch office costs. In the prior year, the Company incurred $14 million of costs related to the acquisition of multi-beam data over various blocks in Brazil.

Other income in the current year related to licensing of a portion of the multi-beam data.

Kurdistan

(thousands of US Dollars)	Year ended March 31, 2014	2013
Exploration and evaluation expense	(241)	(1,851)
Asset impairment	-	(38,919)
Segment loss[1]	(241)	(40,770)

(1) Segment profit is a non-IFRS measure as calculated above.

In the prior year, the Company recognized an asset impairment of $39 million related to the reduction in the carrying value of the Qara Dagh exploration and evaluation asset to the net proceeds received after relinquishment of the block.

CORPORATE

(thousands of US Dollars)	Year ended March 31, 2014	2013
General and administrative expenses	(9,520)	(6,931)
Share-based compensation expense	(7,948)	(10,894)
Restructuring cost recovery	1,112	-
Finance and other income	(3,689)	(1,999)
Finance expense	(65,996)	(33,768)
Foreign exchange loss	(6,398)	(3,2000
Loss on investments	(1,342)	(2,106)
Deferred tax recovery	-	(7,476)

General and administrative expenses

General and administrative expense in the current year increased primarily due to legal fees associated with the Company's ICSID arbitration cases.

Share-based compensation expense

Share-based compensation in the current year decreased due to lower fair values per stock option granted in the year resulting from lower stock prices in the year and due to the reversal of share-based compensation expense resulting from the forfeiture of stock options.

Restructuring cost recovery

Restructuring cost recovery for the current year related to the reversal of $4 million of share-based compensation expense due to forfeitures of stock options, partially offset by retirement allowances for the Company's former President and Chief Executive Officer and other employees, and restructuring advisory costs.

Finance and other income

Finance and other income for the current year increased from prior year primarily due to the recorded benefit of the transfer of the Company's interest in a Canadian producing property as part of a retirement agreement with the Company's former President and Chief Executive Officer.

Finance expense

	Year ended March 31,	
(thousands of US Dollars)	2014	2013
Interest expense	35,685	21,806
Accretion expense	29,531	8,678
Bank charges and other finance costs	780	3,284
Finance expense	65,996	33,768

Interest expense for the current year increased due to the increased interest on the term loan facilities entered into the third quarter of fiscal 2014.

Accretion expense increased in the year primarily related to debt issuance costs for the term loan facilities, secured loan, and unsecured notes, along with the deferred obligation and contract settlement obligation. The recorded liabilities increase as time progresses to the final maturity and settlement dates.

Bank charges and other finance costs for the current year decreased due to lower costs related to pursuing financing options for the Company.

Foreign Exchange

	Year ended March31,	
(thousands of US Dollars)	2014	2013
Realized foreign exchange (gain) loss	(1,247)	3,125
Unrealized foreign exchange loss	7,645	76
Total foreign exchange loss	6,398	3,201

Realized foreign exchange gain in the current year relates to the impact of the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated payables. In the prior year, the Indian Rupee strengthened against the US Dollar resulting in a realized foreign exchange loss.

Unrealized foreign exchange loss in the current year increased due to the impact of the weakening of the Canadian Dollar against the US Dollar on US Dollar denominated debt in a Canadian Dollar functional currency entity and due to the impact of the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated income tax receivables.

LIQUIDITY AND CAPITAL RESOURCES

To provide the financial capacity to implement its new strategic focus of developing and appraising the assets in the D6 Block in India while maintaining optionality in the balance of its exploration portfolio, in the third quarter of fiscal 2014, the Company entered into a new secured term loan facilities agreement, closed an offering of equity securities, and executed a settlement agreement with Diamond Offshore for drilling contract obligations. At closing, the Company's revolving credit facility and secured loan agreement were fully repaid and the outstanding principal amounts of its unsecured notes were reduced with the terms of these notes amended to permit the holders to convert the outstanding amounts into common shares prior to maturity in July, 2013. The $174 million of net proceeds from the above transactions provided significant financial capacity for the Company's planned capital program, focused primarily on developing and appraising the assets in the D6 Block in India.

Prices for natural gas sales from the D6 Block were expected to approximately double effective April 1, 2014, as per the pricing formula approved by the Government of India ("GOI)" in June, 2013 and included in the Domestic Natural Gas Guidelines, 2014 ("Guidelines") published by the GOI in January, 2014. As per the Guidelines, the pricing formula shall be applicable to all natural gas sales from the D6 Block, subject to submission of bank guarantees related to incremental natural gas revenues from the Dhirubhai 1 and 3 fields. The Company has been working with Reliance, the operator of the D6 Block, on providing bank guarantees required by the GOI. However, the GOI did not notify the price calculated under these Guidelines for the quarter beginning April 1, 2014, initially due to an election commission ruling that the price should not be notified during the election campaign, and subsequently due to the transition to a new government ruling party. Under protest but in good faith, the contractor group for the D6 Block has kept supplying gas to its customers and the customers have been paying for the gas supplied at the price specified in the sales contracts that expired on March 31, 2014. In May 2014, the contractor group for the D6 Block filed a notice of arbitration to the GOI seeking the implementation of the Guidelines. The GOI has indicated that it is working towards the announcement of a new natural gas price to be effective October 1, 2014, but there is significant uncertainty at this time as to the timing and magnitude of the price increase.

Sources of Funding

The Company has the following sources of cash for funding of its planned operating, investing and financing cash outflows (including working capital requirements):

- Unrestricted cash and cash equivalents as at March 31, 2014 of $82 million;
- Restricted cash as at March 31, 2014 of $79 million that is available for funding of expenditures related to the D6 Block in India (including working capital requirements);
- Receipts of oil and natural gas revenues from its producing assets in India and Bangladesh;
- Potential proceeds from asset sales, farm-outs and other arrangements; and
- Potential proceeds from future equity or debt issues.

Annual average sales volumes for the Company in fiscal 2015 from existing producing wells in its producing fields are targeted to be approximately equal to the annual average sales volumes for fiscal 2014, with the sales volumes from planned development activities in the D6 Block in the remainder of the year dependent on the timing and results of these activities. EBITDAX for fiscal 2015 is dependent on the sales volumes and resolution of the natural gas pricing increase. The Company's budget for its planned capital program for India and Bangladesh in fiscal 2015 is approximately $70 million, with a potential increase to $150-$200 million in fiscal 2016 depending on the resolution of the gas price issue described above.

If the expected new price for natural gas sales from the D6 Block in India is not notified by the GOI, then a significant portion of the contractor group's planned investments in the block are expected to be deferred; and

- the unrestricted and restricted cash and the forecasted receipts of oil and gas revenues are expected to be sufficient to satisfy the anticipated cash requirements of the Company's operating subsidiaries in India and Bangladesh, its corporate general and administrative expenditures, and its interest obligations for the foreseeable future.

If the expected new price for natural gas sales from the D6 Block in India is notified by the GOI, effective, October 1, 2014, the contractor group's planned investments in the block for fiscal 2015 and fiscal 2016 are expected to occur as currently planned; and:

- If the bank guarantee required by the GOI is provided by Reliance on behalf of the contractor group without a requirement for cash support from the Company, then the unrestricted and restricted cash and the forecasted receipts of oil and gas revenues are expected to be sufficient to satisfy the anticipated cash requirements of the Company's operating subsidiaries in India and Bangladesh, its corporate general and administrative expenditures, and its interest obligations for the foreseeable future.

- If the bank guarantee required by the GOI is provided by Reliance on behalf of the contractor group with full cash support from the Company for the Company's share of the incremental natural gas revenue from the Dhirubhai 1 and 3 fields, then the unrestricted and restricted cash and the forecasted receipts of oil and gas revenues are expected to be sufficient to satisfy the anticipated cash requirements of the Company's operating subsidiaries in India and Bangladesh, its corporate general and administrative expenditures, and its interest obligations for fiscal 2015. In this scenario, for fiscal 2016, the Company is expected to require additional funding from asset sales, farm-outs and other arrangements and/or future equity or debt issues and expects that it will be able to raise the required funds from some or all of these sources. However, there can be no assurance that these efforts will be sufficient to satisfy the anticipated cash requirements of the Company's operating subsidiaries in India and Bangladesh, its corporate general and administrative expenditures, and its interest obligations.

As at March 31, 2014, the Company had $118 million of accounts payable and accrued liabilities related to its exploration subsidiaries, primarily in Indonesia and Trinidad, and has significant exploration work commitments over the next several years (see note 33 in the audited consolidated financial statements). The terms of the Company's term loan facilities limit the funding of capital expenditures and working capital requirements in these areas and the Company is evaluating its options for these subsidiaries as part of its strategy of maintaining optionality in its exploration portfolio. The Company is working on selling or farming out interests in many of its exploration production sharing contracts, rescheduling its exploration commitments, and settling its vendor liabilities. There is significant uncertainty regarding whether the Company's efforts will be sufficient to allow certain of the Company's exploration subsidiaries to meet existing and future obligations and continue activities in the future.

Over the next few years, the Company plans to limit its exploration expenditures outside of India and Bangladesh, net of proceeds of farm-outs and other arrangements, to less than $35 million per year.

As described above, there is material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

Non-core Asset Dispositions, Farm-outs and Other Arrangements

In the first quarter of fiscal 2015, the Company closed the sale of its 25 percent interest in Block 5(c) in Trinidad and Tobago for net proceeds of $61 million and used the funds to repay $15 million of contract settlement obligation owing to Diamond and repay the $20 million term loan Facility E. As per the terms of the facilities agreement, the Company offered to prepay approximately $26 million of the term loan and the lender group declined the offer, resulting in additional cash being available for funding of the anticipated cash requirements of its operating subsidiaries in India and Bangladesh, its corporate general and administrative expenses, and its interest obligations.

During fiscal 2014, the Company received proceeds of $58 million related to its program of farm-outs and other arrangements, including certain consideration received in the fourth quarter of fiscal 2014 in exchange for assuming a 100 percent interest in the Semai V PSC in Indonesia (including a future drilling commitment). In the third quarter of fiscal 2014, the Company executed a farm-out agreement with Range Resources for 50 percent of the Company's interests in the Guayaguayare Shallow and Deep PSCs in Trinidad whereby Range will earn its interests by funding two onshore commitment wells and a potential onshore appraisal well at its sole expense, and will share the costs of an offshore commitment well equally with Niko. This agreement is subject to approval of the Government of Trinidad and Tobago.

Term Loan Facilities

In December 2013, the Company entered into a definitive facilities agreement with certain institutional investors providing for senior secured term loan facilities in an aggregate principal amount of $340 million. The key terms of the facilities agreement and related documentation are as follows:

Specific terms of facilities A/B/C[1]:

- Facilities amount: $300 million (combined)
- Prepayment: At the Company's option at any time after December 20, 2015 (at a 7 percent premium, decreasing to 4 percent after December 20, 2016)
  At the Lenders option (without premium) from the remaining net proceeds of certain asset sales, farm-outs, equity and debt issuances, after contract settlement payments and Facility D/E prepayments
- Repayment: On September 30, 2017
- Use of proceeds: $175 million Facility A: General corporate purposes, subject to certain restrictions
  $125 million Facilities B/C: Restricted to expenditures related to the D6 Block in India

- Interest: Quarterly cash interest payments at 15 percent per annum; potential 5 additional percent per annum payable upon repayment if first ranking security is not provided over the Company's participating interest in the D6 Block

(1) In the first quarter of fiscal 2015, the Company offered to prepay $26 million of Facility A along with accrued interest. The decision of the lender group was to decline the offer, resulting in additional cash being available for funding.

Specific terms of facility D[2]:

- Facility amount: US$20 million
- Prepayment: Required (without premium) from consideration due from Hess Corporation described above or from the remaining net proceeds of certain asset sales, farm-outs, equity and debt issuances, after contract settlement payments and Facility E prepayment
- Repayment: Commencing April 30, 2015 from gross revenue of D6 Block
- Use of proceeds: General corporate purposes, subject to certain restrictions
- Interest: Quarterly cash interest payments at 15 percent per annum; additional 5 percent per annum payable upon repayment

(2) In January 2014, the Company decided to forego its option to drawdown this facility and the facility commitment was cancelled.

Specific terms of facility E[3]:

- Facility amount: $20 million
- Prepayment: Required (without premium) from the remaining net proceeds of certain asset sales, farm-outs and equity and debt issuances, after contract settlement payments
- Repayment: Commencing December 31, 2014 (for so long as more than $10 million remains outstanding) or March 31, 2015 (if less than $10 million remains outstanding), in each case from gross revenue of the D6 Block
- Use of proceeds: General corporate purposes, subject to certain restrictions
- Interest: Quarterly cash interest payments at 15 percent per annum; additional 5 percent per annum payable upon repayment

(3) In the first quarter of fiscal 2015, the Company fully repaid Facility E along with accrued interest.

Uncommitted D6 facility:

The facilities agreement also includes a provision for an uncommitted facility that can be funded at the option of any lenders if the Company is unable to fund the cash call requirements of the D6 Block. Advances under this facility are repayable from the Company's gross revenues from the D6 Block until an amount equal to 200 percent of the advanced amount has been paid.

Financial covenants

The Company is subject to the following financial covenants under the facilities agreement:

- Maximum ratio of (a) consolidated senior debt (defined as debt incurred under facilities A, B and C and finance lease obligations) to (b) the consolidated EBITDAX (as defined in the facilities agreement) for the trailing four quarters, commencing with the period ending June 30, 2014.
- Minimum ratio of (a) proved plus probable reserves for the D6 Block to (b) senior debt, commencing with the period ending March 31, 2014.

General covenants

The Company has agreed to several other undertakings and covenants in the facilities agreement, including:

- Maintenance of certain reserve accounts, including:
  - A reserve account for anticipated capital expenditures in the D6 Block, with a minimum balance that increases over time to the greater of US$30 million and the Company's forecasted capital expenditures in the D6 Block for the subsequent six month period.
  - A reserve account for settlement payments, with a minimum balance commencing December 31, 2014 equal to the payments required under the terms of the settlement agreement with Diamond Offshore (see note 14a in the audited consolidated financial statements) for the subsequent six month period.
  - A reserve account for debt service, with a minimum balance commencing December 31, 2014 equal to the interest payments due under the facilities agreement for the subsequent six month period.
- Requirement to make offers to prepay the facilities in certain circumstances, including:
  - Receipt of net proceeds of asset sales, farm-outs and equity issuances
  - Change of control

- Disposal of all or any part of the Company's rights in respect of the D6 Block.
- Restrictions on cash expenditures relating to areas outside of India and Bangladesh, subject to certain exceptions.
- Requirement to raise certain minimum amounts from asset sales, farm-outs and/or equity issuances by June 30, 2015.
- Restrictions on the incurrence of debt, granting of liens, investments and similar transactions.

(1) As at March 31, 2014, the Company is in compliance with all of the covenants specified in its facilities agreement. Gross proceeds from the sale of Block 5(c) were used to repay a portion of settlement amount owing to Diamond Offshore, Facility E and remaining proceeds were offered to prepay Facility A. The decision of the lender group was to decline the offer, resulting in additional cash being available for funding.

Security

The obligations under the facilities agreement and the D6 royalty agreement (see note 14b in the audited consolidated financial statements) are initially secured by:

- charges over all of the present and after-acquired personal and real property of the Company and certain of its subsidiaries;
- specific pledges and charges over the shares of substantially all of the Company's subsidiaries; and
- specific charges over the bank accounts of the Company and certain of its subsidiaries.

The Company has also provided first ranking security over the Company's participating interest in the Block 9 PSC and has agreed to use best endeavours to obtain all necessary governmental authorizations to provide first ranking security over the Company's participating interest in the D6 PSC.

Deferred Obligation

As a condition of the facilities agreement, the Company entered into an agreement that provides for a monthly payment equal to six percent of the Company's share of the gross revenues from the D6 Block in India, commencing April 1, 2015 for a period of seven years.

Contract Settlement Obligation

In December 2013, the Company entered into an agreement with Diamond Offshore relating to settlement of payment obligations and other commitments under the Ocean Monarch and Ocean Lexington drilling contracts. The settlement agreement includes a mutual release of claims in respect of certain rights and obligations under the drilling contracts, with the claims in respect of the Company's payment obligations under the drilling contracts to be released upon payment by the Company of US$80 million. An initial payment of US$25 million was made to Diamond Offshore using proceeds from the initial advance of the term loan, with the outstanding balance to be paid over subsequent years up to September 30, 2017, subject to early prepayment upon the occurrence of certain events. The amounts due are non-interest bearing. In the first quarter of fiscal 2015, approximately $15 million was repaid on the contract settlement obligation.

Equity Issue

In December 2013, the Company issued 16,853,575 subscription receipts at a price of Cdn$1.9715 per subscription receipt for gross proceeds of approximately Cdn$33 million (net proceeds of approximately US$30 million). Upon the satisfaction of all conditions of the initial advance on the term loan facilities, the subscription receipts were exchanged, without payment of any additional consideration, into an equivalent amount of common shares.

Unsecured Notes

In June 2013, the Company issued $63.5 million of unsecured notes that bear interest at 7 percent per annum. In December 2013, the Company agreed with the holders of the notes to amend the terms of the notes by deleting the required instalment payments and granting the holders a conversion right in respect of the remaining principal balance of approximately US$13 million. At any time prior to the July 13, 2014 maturity of the notes, the holders are entitled to convert all or any portion of the outstanding principal and accrued interest into common shares of the Company. The number of common shares to be issued upon conversion is determined by dividing the amount to be paid in common shares by 94.5 percent of the lower of the volume weighted average price of the common shares for the fifteen trading days prior to conversion and the volume weighted average price of the common shares for the five trading days prior to conversion.

From December, 2012 to March 31, 2014, the holders of the notes converted approximately $6.9 million of outstanding principal plus accrued interest into a total of 3,643,452 common shares of the Company. Subsequent to March 31, 2014, the holders have converted approximately $5.3 million of outstanding principal plus accrued interest into a total of 2,997,611 common shares of the Company, reducing the outstanding principal to approximately $0.6 million as at June 26, 2014.

Convertible Notes

In December 2012, the Company issued Cdn$115 million principal amount of convertible unsecured notes that mature on December 31, 2017 and bear interest at a rate of seven percent, with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2013. The convertible notes are convertible at the option of each holder into common shares at a conversion price of Cdn$11.30 per share. After December 31, 2015, the convertible notes are redeemable by the Company, in whole or in part from time to time, provided that the market price of the Company's common shares (defined as the weighted average trading price of the common shares for the twenty consecutive trading days ending five trading days prior to the issue of the notice of redemption) is at least 130 percent of the conversion price. The Company has the right to use common shares to satisfy some or all of its obligations for the convertible notes.

Contractual Obligations

The Company has various contractual obligations, as follows:

As at March 31, 2014		Obligations by Period			
(thousands of US Dollars)	Total	< 1 year	1 to 3 years	3 to 5 years	> 5 years
Finance lease obligations[1]	47,536	10,757	32,270	4,509	-
Convertible notes[2]	132,504	7,246	14,493	110,765	-
Unsecured notes[3]	6,006	6,006	-	-	-
Term loan[4]	483,417	58,792	101,750	322,875	-
Other long-term liabilities[5]	215,875	5,000	71,418	68,044	71,413
Decommissioning obligations[6]	84,116	1,796	6,484	-	75,836
Exploration work commitments[7]	278,966	105,500	170,153	3,313	-
Total contractual obligations	1,248,420	195,097	396,568	509,506	147,249

(1) The finance lease obligation relating to the charter of the floating, production, storage and offloading vessel ("FPSO") used in the MA field in the D6 Block is recorded in the audited consolidated financial statements at $37 million (including current and long-term portions). Financing lease payments can be funded with cash restricted to D6 Block expenditures.

(2) The convertible notes are recorded in the audited consolidated financial statements at $78 million, reflecting the impact of a lower interest rate than the market interest rate on similar notes without a conversion feature and the un-accreted portion of debt issuance costs. The convertible notes are included in the table based on the sum of the principal amount that would be required to be repay in cash the Cdn$115 million convertible notes plus quarterly interest payments, converted at the year-end exchange rate. The Company has the right to use common shares to satisfy some or all of its obligations for the convertible notes.

(3) The unsecured notes are recorded in the audited consolidated financial statements at $6 million. The unsecured notes are included in the table based on the sum of the principal amount that would have been required to be repay in cash the outstanding balance of unsecured notes plus the interest payment due at maturity. During the first quarter of fiscal 2015, $5.3 million of principal and accrued interest on the unsecured notes has been converted into common shares and $0.6 million of principal and accrued interest is outstanding as at June 26, 2014.

(4) The term loan is recorded in the audited consolidated financial statements at $249 million (including current and long-term portions), reflecting the impact of the un-accreted portion of debt issuance costs and estimated discounted value of the deferred obligation at closing. The term loan is included in the table based on the sum of principal amount plus quarterly interest payments. In the first quarter of fiscal 2015, $20 million was repaid on the term loan facilities. (see Subsequent Events below for more details)

(5) Other long-term liabilities are recorded in the audited consolidated financial statements at $113 million (including current and long-term portions), reflecting the discounted value of the contract settlement obligation and the deferred obligation. Other long-term liabilities are included in the table based on the estimated undiscounted value of the contract settlement obligation and the deferred obligation. In the first quarter of fiscal 2015, approximately $15 million was repaid on the contract settlement obligation (see Subsequent Events below for more details).

(6) Decommissioning obligations are based on the undiscounted estimated future liability of the Company as disclosed in the notes of the audited consolidated financial statements for the period ended March 31, 2014. They do not include costs related to wells or facilities that were not completed as at March 31, 2014. Site restoration funds totalling $9 million have been set up for certain of these obligations and are reflected in restricted cash.

(7) The exploration work commitments reflect the amounts that the host government may claim if the Company does not perform the work commitments. Exploration work commitments totalling $136 million for the Company's production sharing contracts in Trinidad and Brazil, are backed by parent company guarantees. Exploration work commitments for the Company's production sharing contracts in Indonesia are a total of $139 million, with certain commitments guaranteed with $3 million of performance bonds that are secured by cash deposits reflected in restricted cash. The actual cost of fulfilling the work commitments may exceed the amount of the commitment included in the table. The majority of the exploration work commitments relate to production sharing contracts where the Company is working on asset sales or farm-outs to joint venture partners in exchange for a re-imbursement a portion of the sunk costs, funding of a disproportionate share of future costs, and/or future payments related to commencement of production or other milestones. Completion of these asset sales and/or farm-outs could significantly reduce the Company's share of the future commitment costs. The Company has in the past received and has currently applied for extensions to the periods required to complete the work commitments related to various of its production sharing contracts. A delay or rejection of the requested extensions may result in additional funding required to fulfill the commitments.

SUBSEQUENT EVENTS

India Domestic Gas Pricing Arbitration

In May, 2014, Reliance, BP and Niko, the contractor group of the D6 block in India, issued a notice of arbitration to the GOI seeking the implementation of the Domestic Natural Gas Pricing Guidelines, 2014. The GOI had formally announced the "Domestic Natural Gas Pricing Guidelines, 2014" in January, 2014, reflecting the Cabinet Committee on Economic Affairs approval in June 2013 of a new gas pricing formula for domestic gas sales in India. The pricing formula, based on the recommendations of the Rangarajan Committee report issued in December 2012, incorporates the prices of LNG imported into India and the prices of gas sold in North America, Europe and Japan, and was to be effective on April 1, 2014 for a period of 5 years, with the prices to be updated on a quarterly basis based on the trailing four quarters of pricing information with a lag of one quarter. Notifications of the price resulting from the formula were to be issued in the month prior to the start of each quarter. In March 2014, the GOI failed to notify the new price calculated using the approved pricing formula, and under protest, but in good faith, the contractor group for the D6 block has kept supplying gas to its customers, with the customers continuing to pay for the gas under the terms of the contracts that had expired on March 31, 2014. As a result, the contractor group filed an international arbitration claim to secure a market price for gas as per the terms of the production sharing contract for the D6 block. In June 2014, the GOI announced a deferral of the price notification to be effective October 1, 2014.

Block 5(c) Sale

In June, 2014, the Government of Trinidad and Tobago approved the sale of the Company's 25 percent interest in Block 5(c) in Trinidad and Tobago to a subsidiary of the BG Group, and the Company received net proceeds of $61 million. A portion of the net proceeds were used to repay $15 million of contract settlement obligations and $20 million of principal outstanding under the Facility E loan. Under the terms of the term loan facilities agreement, the Company has made a prepayment offer of $26 million to the holders of the Facility A term loan and the decision of the lender group was to decline the offer, resulting in additional cash being available for funding of the anticipated cash requirements of its operating subsidiaries in India and Bangladesh, its corporate general and administrative expenses, and its interest obligations.

QUARTERLY RESULTS

(thousands of US Dollars)	Three months ended March 31, 2014	2013
Oil and natural gas revenue	31,623	39,670
Production and operating expenses	(8,714)	(10,104)
General and administrative expenses	(3,860)	(1,942)
Finance and other income	1,113	980
Bank charges and other finance costs	(32)	(768)
Realized foreign exchange gain (loss)	(278)	873
EBITDAX[(1)]	**19,852**	**28,709**
Interest expense	(15,282)	(4,200)
Cash restructuring costs	(1,437)	-
Current income tax recovery (expense)	2	(1,010)
Minimum alternate tax expense	-	6,249
Non-cash production and operating expenses	177	(233)
Depletion and depreciation expenses	(24,759)	(32,654)
Exploration and evaluation expenses	(6,931)	(21,579)
Non-cash restructuring costs	3,867	-
Non-cash other income	20,000	-
Loss on investments	-	(1,547)
Asset impairment	6,707	-
Reversal of asset impairment	-	101,544
Share-based compensation expense	(1,194)	(2,883)
Accretion expense	(9,493)	(1,982)
Loss on derivative	(15,544)	-
Unrealized foreign exchange gain (loss)	3,295	(1,504)
Deferred income tax recovery (expense)	19,624	(70,963)
Net loss	**(1,116)**	**(2,053)**

(1) Non-IFRS measures as defined under "Non-IFRS measures" in this MD&A.

The explanations provided in "Overall Performance and Results of Operations" applies to the changes in the quarter ended March 31, 2014 compared to the quarter ended March 31, 2013 except as follows:

Production and operating expense

Production and operating expense for the current quarter decreased compare to prior year quarter due to lower production volumes incurred in D6 Block and Hazira Field.

Realized foreign exchange gain (loss)

Realized foreign exchange loss in the current quarter resulted from the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated accounts payable.

Minimum alternative tax expense

Minimum alternative tax expense for the current year was nil as the D6 Block in India did not generate positive accounting income under Indian GAAP. In the prior year, there was an adjustment to MAT expense as a result of the change in Indian GAAP accounting profits resulting from the change in estimates of reserves and it effect on depletion expense.

Unrealized foreign exchange gain (loss)

Realized foreign exchange gain in the current quarter resulted from the weakening of the Indian Rupee against the US Dollar on Indian Rupee based site restoration deposit, income tax receivable, and deferred tax asset. In addition, an unrealized foreign exchange gain occurred due to the weakening of Canadian Dollar against the US Dollar on US Dollar cash held in a Canadian Dollar functional currency entity.

SUMMARY OF QUARTERLY RESULTS

Three months ended	Mar 31, 2014	Dec 31, 2013	Sept 30, 2013	June 30, 2013	Mar 31, 2013	Dec 31, 2012	Sept 30, 2012	June 30, 2012
(thousands of US Dollars, except per share amounts)								
Oil and natural gas revenue[1]	31,623	33,349	36,388	28,042	39,670	46,515	58,080	55,099
Net loss	(1,116)	(448,177)	(148,541)	(59,171)	(2,092)	(93,709)	(28,573)	(92,121)
Per share - basic and diluted	(0.01)	(6.17)	(2.12)	(0.84)	(0.03)	(1.64)	(0.55)	(1.78)

(1) Oil and natural gas revenue is oil and natural gas sales less royalties and profit petroleum expense.

Oil and natural gas revenue declined over the last eight quarters due to anticipated natural declines and reservoir management activities in India.

Net loss has fluctuated throughout the last eight quarters due to declining production and sale of oil and natural gas. Net loss was significantly higher in the quarter ended December 31, 2013, as the Company impaired $481 million of exploration and evaluation costs and $15 million of property, plant and equipment assets relating to Indonesia and Trinidad blocks. There was a deferred tax recovery of $155 million as a result of the impairment of acquisition cost and exploration and evaluation assets in various Indonesia blocks. In addition, $38 million of restructuring costs was incurred during the third quarter of fiscal 2014 relating to contract settlement, retirement and advisory costs.

Net loss for the quarter ended March 31, 2013 was lower as the Company recognized a $102 million reversal of asset impairment related to the D6 Block in India. The reversal of the impairment resulted from the impact of increased reserve volumes assigned to the D6 Block as at March 31, 2013 by an independent reservoir engineering firm. Management's estimate of value in use for the block was determined using forecasted cash flows using escalated prices and estimates of future production, capital and operating expenses.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2014, the Company had no off balance sheet arrangements in place.

RELATED PARTIES

The Company had a 45 percent interest in a Canadian property that was operated by a related party, a company owned by the former President and Chief Executive Officer of Niko Resources Ltd. This joint interest originated as a result of the related party buying the interest of the third-party operator of the property in 2002. In December 2013, the former President and Chief Executive Officer retired from his position and the Company transferred the property as part of his retirement agreement which resulted in the change in Company's interest to nil. The transactions with the related party are not significant to the operations or the consolidated financial statements. The transactions with the related party are measured at the estimated fair value.

FINANCIAL INSTRUMENTS

The Company has the following financial assets and financial liabilities: Short and long-term investments, accounts receivables, accounts payable and accrued liabilities, long-term liabilities or deferred obligations, convertible notes, unsecured notes and secured term loan.

Investments as at March 31, 2014 and March 31, 2013 have been assessed on the fair value hierarchy. The fair value of the investments was based on publicly quoted market values. The current year to date period includes $1 million loss (2013 – $1 million) on recognizing at their fair value.

Deferred obligations as at March 31, 2014 have been assessed on the fair value hierarchy. The fair value of the deferred royalty obligation was based on production volumes and gas prices per D6 Block reserve reports as at March 31, 2014. The current year includes a $16 million loss (2013 – nil) on recognizing at their fair value.

The debt component of the convertible notes has been recorded net of the fair value of the conversion feature. The fair value of the conversion feature of the notes is included in shareholders' equity at the date of issue. The fair value of the conversion feature of the notes was determined based on the discounted future payments using a discount rate of a similar financial instrument without a conversion feature compared to the fixed rate of interest on the notes.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amounts of the cash and cash equivalents, restricted cash and accounts receivable reflect management's assessment of the maximum credit exposure. The Company takes measures in order to mitigate any risk of loss, which may include obtaining guarantees. There were no changes in the Company's exposure to credit risks or any changes to the Company's processes for managing the risks from the previous period.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its exposure to this risk by preparing cash flow forecasts and capital spending to assess whether additional funds are required.

Currency Risk

The majority of the Company's revenues and expenses are denominated in US Dollars and the Company holds the majority of its funds in US Dollars, except as required to fund dividends and make interest payments on the convertible notes. As a result, the Company has limited its cash exposure to fluctuations in the value of the US Dollar versus other currencies. However, the Company is exposed to changes in the value of the Indian Rupee versus the US Dollar as they are applied to the Company's working capital, income tax receivable and deferred tax liability of its subsidiaries in India. The Company does not have any foreign exchange contracts in place to mitigate currency risk.

Commodity Risk

The Company is exposed to the risk of changes in market prices of commodities. The Company enters into natural gas contracts, which manages this risk. Because the Company has long-term fixed price gas contracts, a change in natural gas market prices would not have impacted the net loss for the year ended March 31, 2014. The Company is exposed to changes in the market price of oil and condensate. In addition, the Company will be exposed to the change in the Brent crude price as the average Brent crude price from the preceding year is a variable in the gas price for the following year, calculated annually, for the D6 gas contracts.

A detailed description of the Company's financial instruments is included in note 21 to the audited consolidated financial statements for the year ended March 31, 2014.

CHANGES IN ACCOUNTING STANDARDS

The Company adopted the following new and amended standards on April 1, 2013:

IFRS 7 – Financial Instruments: Disclosures

IFRS 7 was amended by the IASB in December 2011. The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. These disclosure requirements enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP. The amendments did not have a significant impact on the Company's consolidated financial statements.

IFRS 10 – Consolidated Financial Statements

IFRS 10 establishes a single control definition that applies to all entities including special purpose entities. The standard replaces parts of the previously existing IAS 27 Consolidated and Separate Financial Statements. IFRS 10 defines control such that an investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. To meet the definition of control, all three of the following criteria must be met: (a) an investor has power over an investee; (b) the investor has exposure or rights to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of this standard did not impact these consolidated financial statements.

IFRS 11 – Joint Arrangements

IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and IAS 28 "Investment in Associates". IFRS 11, "Joint Arrangements", requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. A joint venture is accounted for using the equity method of accounting whereas for a joint operation is accounted for by recording the entities share of the assets, liabilities, revenue and expenses in the joint operation. The adoption of this standard did not impact these consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates, and special purpose vehicles. The new disclosure requires information that will assist financial statement users in evaluating the nature,

risks and financial effects of an entity's interest in subsidiaries and joint arrangements. The adoption of this standard did not impact these consolidated financial statements.

IFRS 13 – Fair Value Measurement
IFRS 13 provides a common definition of fair value within IFRS. The new standard provides measurement and disclosure guidance and applies when IFRS requires or permits the item to be measured at fair value, with limited exceptions. The adoption of these standards had no impact on the amounts recorded in these consolidated financial statements but did result in additional disclosures as provided in note 21.

The following accounting pronouncements have been issued but not yet effective:

IFRS 9 – Financial Instruments
IFRS 9 was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement". A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. In December 2011, amendments indicated instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 to IFRS 9 on the basis of the entity's date of adoption and if the entity chooses to restate prior periods. In November 2013, amendments to IFRS 9 incorporated its new general hedge accounting model. The standard is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

IFRS 10 – Consolidated Financial Statements
IFRS 10 was amended by the IASB in October 2012. The amendments provide an exemption from consolidation of subsidiaries for entities which meet the definition of an 'investment entity'. Such entities are to measure investment in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9, "Financial Instruments" or IAS 39, "Financial Instruments: Recognition and Measurement". The amendments also introduce new disclosure requirements related to investment entities in IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements". The amendments to IFRS 10 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

IAS 32 – Financial Instruments: Presentation
IAS 32 was amended by the IASB in December 2011. The amendment prescribes rules for the offsetting of financial assets and financial liabilities. It specifies that a financial asset and a financial liability should be offset and the net amount be reported, when an entity has a legally enforceable right to offset the amounts if that right is not contingent on a future event and must be legally enforceable in all of the following circumstances such as the normal course of business, the event of default and the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

IAS 36 – Impairment of Assets
IAS 36, "Impairment of Assets" was amended by the IASB in May 2013. The amendments removed the requirement to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant when compared to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. However amendments requires disclosure on the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period, additional information about the fair value less costs of disposal of an individual asset, including goodwill, or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period, and disclosure of the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

IAS 39 – Financial Instruments

IAS 39 was amended by the IASB in June 2013. The amendments clarify that there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

IFRIC 21 – Levies

IFRIC 21 was amended by the IASB in June 2013. IFRIC 21 provides guidance on recognition of a liability for levies that are accounted for in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". IFRIC 21 provides the following guidance on recognition of a liability to pay levies: (i) the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation, and (ii) the liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

CRITICAL ACCOUNTING ESTIMATES

The Company makes assumptions in applying certain critical accounting estimates that are uncertain at the time the accounting estimate is made and may have a significant effect on the audited consolidated financial statements of the Company.

Oil and Natural Gas Reserves

Reserve estimates can have a significant effect on net earnings as a result of their impact on the depletion rate, provisions for decommissioning obligations and asset impairments. Independent qualified engineers in conjunction with the Company's reserve engineer estimate the value of oil and natural gas reserves on annual basis. The estimation of reserves is an inherently complex process requiring significant judgments. Estimates of economically recoverable oil and gas reserves and future cash flows from those reserves are based on a number of variables and assumptions such as geological interpretation, commodity prices, operation and capital costs and production forecasts, all of which may vary considerable from actual results. These estimates are expected to revise upward or downward over time, as additional information such as reservoir performance becomes available, or as economic conditions change.

Depletion, Depreciation and Amortization

The Company's property and equipment is depreciated based upon estimates of useful lives and salvage values. The net carrying value of producing assets are depleted using the unit-of-production method by reference to the ratio of production in the year to the related total proved reserves of oil and natural gas reserves. By their nature the estimates of reserves, including the estimates of future commodity prices, costs, foreign exchange, discount rates and the related future cash flows, are subject to measurement uncertainty. Revisions to reserve estimates and the associated future cash flows could significantly increase or decrease depletion expense charged to net income. Accordingly the impact to the audited consolidated financial statements in future periods could be material.

Asset Impairment

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Events and circumstances may change resulting in indicators of impairment in future periods that could result in a material impairment. Indications include: a significant decline in market value of the asset; significant changes have taken or will take place in the technological market, economic or legal environment in which the Company operates or in the market to which an asset is dedicated; a significant increase in market interest rates that would affect the discount rate and value of the asset; and the carrying amount of the net assets of the entity is more than its market capitalization. Irrespective of whether there is any indication of impairment, the Company tests intangible assets with an indefinite useful life and intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. The recoverable amount requires the use of assumptions and estimates including quantities of recoverable resources, estimated production quantities, future commodity prices and further exploration, development and production costs. Changes in any of these assumptions could impact the estimated recoverable amount and result in an impairment of exploration and evaluation assets, development assets, capital work-in-progress and other property, plant and equipment.

Decommissioning Obligations

PSC that the Company has entered into indicate an obligation for abandonment of wells and facilities including removal of all equipment and installations and site restoration, collectively termed decommissioning obligations. Amounts used for provision calculations are based on abandonment costs, inflation, interest rates and timing of decommissioning expenditures. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Share-Based Compensation

Share-based compensation are subject to the estimation as they are calculated using the Black-Scholes option pricing model which is based on significant assumptions such as volatility, expected life, dividends yields and expected forfeiture rates.

Income Taxes

The Company estimates current and future income taxes based on its interpretation of tax laws in the various jurisdictions in which it operates and pays income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. Determination of income taxes is subject to measurement uncertainty. Management makes certain judgements in estimating the timing of temporary difference reversals and the likelihood that deferred tax assets will be realized from future taxable earnings. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

DISCLOSURE CONTROLS AND PROCEDURES

The President and Chief Financial Officer are responsible for designing disclosure controls and procedures or causing them to be designed under their supervision and evaluating the effectiveness of the Company's disclosure controls and procedures. The President and Chief Financial Officer oversee the design and evaluation process and have concluded that the design and operation of these disclosure controls and procedures were effective in ensuring material information relating to the Company required to be disclosed by the Company in its quarterly and yearly filings or other reports filed or submitted under applicable Canadian securities laws is made known to management on a timely basis to allow decisions regarding required disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The President and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision and evaluating the effectiveness of the Company's internal controls over financial reporting. The President and Chief Financial Officer have overseen the design and evaluation of internal controls over financial reporting and have concluded that the design and operation of these internal controls over financial reporting were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There were no changes in internal controls over financial reporting during the year ended March 31, 2014.

RISK FACTORS

In the normal course of business the Company is exposed to a variety of actual and potential events, uncertainties, trends and risks. In addition to the risks associated with the use of assumptions in the critical accounting estimates, financial instruments, the Company's commitments and actual and expected operating events, all of which are discussed above, the Company has identified the following events, uncertainties, trends and risks that could have a material adverse impact on the Company. For additional risk factors and uncertainties, see the AIF under the heading "Risk factors":

- The Company's ability to meet all of its financing obligations and contractual commitments (including work commitments) in fiscal 2015 and 2016;
- The Company may not receive the determined natural gas price from the GOI;
- The Company may not be able to find reserves at a reasonable cost, develop reserves within required time-frames or at a reasonable cost, or sell these reserves for a reasonable profit;
- Reserves may be revised due to economic and technical factors;
- The Company may not be able to obtain approval, or obtain approval on a timely basis for exploration and development activities;
- There can be no assurance that debt or equity financing or cash generated by operations will be sufficient or available to meet our obligations for debt repayment and development, rehabilitation, production and acquisition of oil and natural

gas reserves in the future;

- Changes in capital markets and uncertainties as to the availability and cost of financing;
- Changing governmental policies, social instability and other political, economic or diplomatic developments in the countries in which the Company operates;
- Changing taxation policies, taxation laws and interpretations thereof;
- Adverse factors including climate and geographical conditions, weather conditions and labour disputes;
- Changes in foreign exchange rates that impact the Company's non-US Dollar transactions;
- Future oil and natural gas prices are subject to large fluctuations in the market;
- Uncertainties associated with the negotiations with foreign governments and the possibility of adverse decisions regarding outstanding litigations and arbitration; and
- Environmental regulations and legislations including restriction and prohibitions on the release of emission from oil and gas operations.

The Company's Annual Information Form containing additional information related to the Company and its identified risks is filed on SEDAR at www.sedar.com.

A complete description of the potential effects of the Company's contingencies on the Company as at March 31, 2014 are described in note 34 of the audited consolidated financial statements for the year ended March 31, 2014.

OUTSTANDING SHARE DATA

At June 26, 2014, the Company had the following outstanding shares:

	Number	Cdn$[(1)]
Common shares	93,710,549	1,522,591,377
Preferred shares	Nil	Nil
Stock options	3,398,988	-

(1) Equals the amount received in Canadian Dollars for common shares issued. The US Dollar equivalent at June 26, 2014 is $1,366,470,725.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements and all other information contained elsewhere in this report is the responsibility of the management of Niko Resources Ltd. The consolidated financial statements necessarily include amounts that are based on estimates, which have been objectively developed by management using all relevant information. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains and evaluates the effectiveness of disclosure controls and procedures and internal control over financial reporting for Niko Resources Ltd. Disclosure controls and procedures are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International Financial Reporting Standards. The Company evaluates the effectiveness of internal controls over financial reporting at the financial year end and discloses its conclusions about the effectiveness in the Company's annual Management's Discussion and Analysis.

The Audit Committee of the Board of Directors, comprised of non-management directors, has reviewed the consolidated financial statements with management and the auditors. The consolidated financial statements have been approved by the Board of Directors on recommendation of the Audit Committee.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with auditing standards generally accepted in Canada on behalf of the shareholders.

(Signed) "Frederic F. Brace"
Frederic F. Brace
President
June 26, 2014

(Signed) "Glen R. Valk"
Glen R. Valk
Vice President, Finance and CFO
June 26, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Niko Resources Ltd.

We have audited the accompanying consolidated financial statements of Niko Resources Ltd., which comprise the consolidated statements of financial position as at March 31, 2014 and March 31, 2013, the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Niko Resources Ltd. as at March 31, 2014 and March 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2 in the consolidated financial statements which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Niko Resources Ltd. ability to continue as a going concern.

(Signed) "KPMG LLP"
Chartered Accountants
Calgary, Canada
June 26, 2014

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Assets		
Current assets		
Cash and cash equivalents	82,479	56,393
Restricted cash (note 6)	87,830	1,416
Accounts receivable (note 7)	42,608	84,834
Inventories (note 8)	10,599	10,100
Short-term investments (note 9)	-	92
	223,516	152,835
Restricted cash (note 6)	24,394	14,029
Long-term investments (note 10)	-	1,270
Long-term accounts receivable	4,483	1,528
Exploration and evaluation assets (note 11)	167,665	695,624
Property, plant and equipment (note 12)	532,703	594,166
Income tax receivable (note 28)	31,830	34,355
	984,591	1,493,807
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	180,844	177,576
Current tax payable	1,263	1,272
Unsecured notes (note 18)	5,781	-
Current portion of term loan (note 14)	10,140	-
Current portion of finance lease obligation (note 33b)	6,801	6,057
Current portion of other long-term liabilities (note 19)	5,000	-
	209,829	184,905
Term loan (note 14)	238,874	-
Revolving credit facilities (note 15)	-	90,000
Finance lease obligation (note 33b)	30,223	37,024
Convertible notes (note 16)	78,030	79,785
Secured loan (note 17)	-	-
Decommissioning obligations (note 20)	44,574	41,177
Other long-term liabilities (note 19)	108,355	-
Deferred tax liabilities (note 28)	10,456	185,109
	720,341	618,000
Shareholders' Equity		
Share capital (note 22)	1,360,668	1,324,234
Contributed surplus	143,248	139,137
Equity component of convertible notes (note 16)	23,232	23,232
Currency translation reserve	2,147	(2,757)
Deficit	(1,265,045)	(608,039)
	264,250	875,807
	984,591	1,493,807

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board,

(Signed) "Wendell W. Robinson"
Wendell W. Robinson
Chairman of the Board

(Signed) "William T. Hornaday"
William T. Hornaday
Chief Operating Officer, Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(thousands of US Dollars, except per share amounts)	Year ended March 31, 2014	2013
Oil and natural gas revenue (note 23)	129,402	199,364
Production and operating expenses	(42,365)	(36,778)
Depletion and depreciation expenses (note 12)	(109,222)	(145,250)
Exploration and evaluation expenses (note 24)	(198,465)	(172,811)
Loss on investments (notes 9 and 10)	(1,342)	(2,106)
Asset impairment (notes 11 and 12)	(511,563)	(67,831)
Reversal of asset impairment (note 12)	-	101,544
Finance and other income (note 26)	42,464	2,310
Finance expense (note 25)	(65,996)	(33,768)
Foreign exchange loss	(6,398)	(3,200)
Share-based compensation expense (note 22)	(7,948)	(10,894)
General and administrative expenses	(9,520)	(6,931)
Restructuring costs (note 27)	(35,161)	-
Loss on derivative (note 19b)	(15,544)	-
Loss before income tax	(831,658)	(176,351)
Current income tax reduction (expense) (note 28)	(2)	289
Deferred income tax reduction (expense) (note 28)	174,654	(40,434)
Income tax reduction (expense)	174,652	(40,145)
Net loss	(657,006)	(216,496)
Foreign currency translation gain (loss)	4,904	(663)
Comprehensive loss	(652,102)	(217,159)
Loss per share: (note 29)		
Basic and diluted	$ (8.67)	$ (3.76)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands of US Dollars, except number of common shares)	Common shares (#)	Share capital	Contributed surplus	Currency translation reserve	Equity component of convertible notes	Deficit	Total
Balance, March 31, 2012	51,641,845	1,171,439	104,964	(2,094)	14,765	(388,526)	900,548
Share-based compensation expense	-	-	19,408	-	-	-	19,408
Issuance of common shares	18,570,350	152,752	-	-	-	-	152,752
Issuance of convertible notes	-	-	-	-	30,724	-	30,724
Deferred tax	-	-	-	-	(7,492)	-	(7,492)
Repayment of convertible debentures	-	-	14,765	-	(14,765)	-	-
Conversion of convertible notes	3,716	43	-	-	-	-	43
Net loss for the year	-	-	-	-	-	(216,496)	(216,496)
Payment of dividends[1]	-	-	-	-	-	(3,017)	(3,017)
Foreign currency translation	-	-	-	(663)	-	-	(663)
Balance, March 31, 2013	70,215,911	1,324,234	139,137	(2,757)	23,232	(608,039)	875,807
Share-based compensation expense	-	-	4,111	-	-	-	4,111
Issuance of common shares	16,853,575	29,531	-	-	-	-	29,531
Conversion of unsecured notes	3,643,452	6,903	-	-	-	-	6,903
Net loss for the year	-	-	-	-	-	(657,006)	(657,006)
Foreign currency translation	-	-	-	4,904	-	-	4,904
Balance, March 31, 2014	90,712,938	1,360,668	143,248	2,147	23,232	(1,265,045)	264,250

(1) The Company paid dividends $0.06 per share in the year ended March 31, 2013.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASHFLOWS

(thousands of US Dollars, except per share amounts)	Year ended March 31, 2014	2013
Cash flows from operating activities:		
Net loss	(657,006)	(216,496)
Adjustments for:		
Depletion and depreciation expenses	109,222	145,250
Accretion expense	29,531	8,678
Deferred income tax (reduction)	(174,654)	40,434
Unrealized foreign exchange loss	7,645	76
Loss on investments	1,342	2,106
Asset impairment	511,563	67,831
Reversal of asset impairment	-	(101,544)
Exploration and evaluation write-off (note 11)	100,120	94,089
Share-based compensation expense	3,484	18,378
Restructuring costs (note 27)	32,688	-
Other income (note 26)	(20,000)	-
Loss on derivative (note 19b)	15,544	-
Restricted cash contributions (note 6)	(8,701)	-
Change in non-cash working capital	6,995	(1,734)
Change in long-term accounts receivable	(2,955)	2,446
Net cash (used in) from operating activities	(45,182)	59,514
Cash flows from investing activities:		
Exploration and evaluation expenditures	(91,101)	(173,212)
Property, plant and equipment expenditures	(62,702)	(30,542)
Proceeds from farm-outs and other arrangements	25,008	70,203
Disposition of exploration and evaluation assets	14,917	-
Restricted cash contributions (note 6)	(34,440)	(4,835)
Release of restricted cash (note 6)	37,961	7,089
Change in non-cash working capital	59,398	55,536
Change in long-term liabilities (note 19)	(25,000)	-
Net cash (used in) investing activities	(75,959)	(75,761)
Cash flows from financing activities:		
Proceeds from advances on term loan, net of issuance costs (note 14)	305,731	-
Proceeds from issuance of common shares, net of issuance costs (note 18)	29,531	152,752
Proceeds from advances on secured loan, net of issuance costs (note 17)	51,861	-
Repayment of secured loan (note 17)	(60,000)	-
Proceeds from issuance of unsecured notes, net of issuance costs (note 18)	58,370	-
Repayment of unsecured notes (note 18)	(50,842)	-
Proceeds from issuance of convertible notes, net of issuance costs (note 16)	-	110,892
Change in revolving credit facility (note 15)	(90,000)	65,000
Repayment of convertible debentures	-	(312,106)
Reduction in finance lease obligation	(6,057)	(5,394)
Dividends paid	-	(3,017)
Restricted cash contributions (note 6)	(125,000)	-
Release of restricted cash (note 6)	33,371	-
Net cash from financing activities	146,965	8,127
Change in cash and cash equivalents	25,824	(8,120)
Effect of translation on foreign currency cash	262	18
Cash and cash equivalents, beginning of year	56,393	64,495
Cash and cash equivalents, end of year	82,479	56,393

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Niko Resources Ltd. (the "Company") is a limited company incorporated in Alberta, Canada. The address of its registered office and principal place of business is Suite 4600 Devon Tower, 400 – 3 Avenue SW, Calgary, Alberta, Canada, T2P 4H2. The Company is engaged in the exploration for and development and production of oil and natural gas in India, Bangladesh, Indonesia, Trinidad, and other countries. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "NKO".

2. Basis of presentation

(a) Statement of compliance

The financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements include the accounts of the Company and all of its subsidiaries. The majority of the exploration, development and production activities of the Company are conducted jointly with others and, accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

In the second quarter of fiscal 2014, the Company shifted its strategic focus to developing and appraising the assets in the D6 Block in India, while maintaining optionality of the balance of its exploration portfolio. In the third quarter of fiscal 2014, to provide the financial capacity to implement this strategy, the Company entered into a definitive facilities agreement with certain institutional investors providing for senior secured term loan facilities. A portion of the funds from these facilities were used to refinance certain of the Company's debt obligations outstanding at the time, a portion was restricted to funding of the Company's expenditures in the D6 Block, and a portion was made available for general corporate purposes, subject to certain limitations. See note 14 for details.

Prices for natural gas sales from the D6 Block were expected to approximately double effective April 1, 2014, as per the pricing formula approved by the Government of India ("GOI") in June, 2013 and included in the Domestic Natural Gas Guidelines, 2014 ("Guidelines") published by the GOI in January, 2014. As per the Guidelines, the pricing formula shall be applicable to all natural gas sales from the D6 Block, subject to submission of bank guarantees related to incremental natural gas revenues from the Dhirubhai 1 and 3 fields. The Company has been working with Reliance, the operator of the D6 Block, on providing bank guarantees required by the GOI as security in the case of an adverse outcome to the contractor group of the D6 block of the D6 cost recovery dispute arbitration proceedings (see note 34d). However, the GOI did not notify the price calculated under these Guidelines for the quarter beginning April 1, 2014, initially due to an election commission ruling that the price should not be notified during the election campaign, and subsequently due to the transition to a new government ruling party. Under protest but in good faith, the contractor group for the D6 Block has kept supplying gas to its customers and the customers have been paying for the gas supplied under the terms of the sales contracts that expired on March 31, 2014. In May 2014, the contractor group for the D6 Block filed a notice of arbitration to the GOI seeking the implementation of the Guidelines (see note 35 for details). The GOI has indicated that it is working towards the announcement of a new price to be effective October 1, 2014, but there is significant uncertainty at this time as to the timing and magnitude of the price increase.

The Company has the following sources of funding of its planned operating, investing and financing cash outflows (including working capital requirements):

- Unrestricted cash and cash equivalents at March 31, 2014 of $82 million;
- Restricted cash as at March 31, 2014 of $79 million that is available for funding of expenditures related to the D6 Block in India (including working capital requirements);
- Anticipated receipts of oil and natural gas revenues from its producing assets in India and Bangladesh;
- Potential proceeds from asset sales, farm-outs and other arrangements; and
- Potential proceeds from future equity or debt issuances.

Annual average sales volumes for the Company in fiscal 2015 from existing producing wells in its producing fields are targeted to be approximately equal to the annual average sales volumes for fiscal 2014, with the sales volumes from planned development activities in the D6 Block in the remainder of the year dependent on the timing and results of these activities. EBITDAX for fiscal 2015 is dependent on the sales volumes and resolution of the natural gas pricing increase. The Company's budget for its planned capital program for India and Bangladesh in fiscal 2015 is approximately $70 million, with a potential increase to $150-$200 million in fiscal 2016 depending on the resolution of the gas price issue described above.

If the expected new price for natural gas sales from the D6 Block in India is not notified by the GOI, then a significant portion of

the contractor group's planned investments in the block are expected to be deferred; and

- the unrestricted and restricted cash and the forecasted receipts of oil and gas revenues are expected to be sufficient to satisfy the anticipated cash requirements of the Company's operating subsidiaries in India and Bangladesh, its corporate general and administrative expenditures, and its interest obligations for the foreseeable future.

If the expected new price for natural gas sales from the D6 Block in India is notified by the GOI, effective, October 1, 2014, then the contractor group's planned investments in the block are expected to occur as currently planned; and:

- If the bank guarantee required by the GOI is provided by Reliance on behalf of the contractor group without a requirement for cash support from the Company, then the unrestricted and restricted cash and the forecasted receipts of oil and gas revenues are expected to be sufficient to satisfy the anticipated cash requirements of the Company's operating subsidiaries in India and Bangladesh, its corporate general and administrative expenditures, and its interest obligations for the foreseeable future.
- If the bank guarantee required by the GOI is provided by Reliance on behalf of the contractor group with full cash support from the Company for the Company's share of the incremental natural gas revenue from the Dhirubhai 1 and 3 fields, then the unrestricted and restricted cash and the forecasted receipts of oil and gas revenues are expected to be sufficient to satisfy the anticipated cash requirements of the Company's operating subsidiaries in India and Bangladesh, its corporate general and administrative expenditures, and its interest obligations for fiscal 2015. In this scenario, for fiscal 2016, the Company is expected to require additional funding from asset sales, farm-outs and other arrangements and/or future equity or debt issues and expects that it will be able to raise the required funds from some or all of these sources. However, there can be no assurance that these efforts will be sufficient to satisfy the anticipated cash requirements of the Company's operating subsidiaries in India and Bangladesh, its corporate general and administrative expenditures, and its interest obligations.

As at March 31, 2014, the Company had $118 million of accounts payable and accrued liabilities related to its exploration subsidiaries, primarily in Indonesia and Trinidad, and has significant exploration work commitments over the next several years (see note 33). The terms of the Company's term loan facilities limit the funding of capital expenditures and working capital requirements in these areas and the Company is evaluating its options for these subsidiaries as part of its strategy of maintaining optionality in its exploration portfolio. The Company is working on selling or farming out interests in many of its exploration production sharing contracts, rescheduling its exploration commitments, and settling its vendor liabilities. There is significant uncertainty regarding whether these efforts will be sufficient to allow certain of the Company's exploration subsidiaries to meet existing and future obligations and continue activities in the future.

Over the next few years, the Company plans to limit its exploration expenditures outside of India and Bangladesh, net of proceeds of farm-outs and other arrangements, to less than $35 million per year.

As described above, there is material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

The financial statements were approved by the Board of Directors and authorized for issue on June 26, 2014.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments as described in sections (g) and (o) of note 3.

The consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars ($000), except where otherwise indicated.

3. Significant accounting policies

(a) Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when an entity is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash and demand deposits.

(c) Business combinations

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs incurred by the Company related to the acquisition are expensed in the periods they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in earnings.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted when the Company obtains complete information about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

(d) Interests in joint ventures

The Company is engaged in oil and gas exploration, development and production through unincorporated joint ventures. The consolidated financial statements include the Company's share of the assets, liabilities and cash flows of the joint venture. The Company combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's financial statements. Income taxes are recorded based on the Company's share of the joint venture's activities.

The following table sets out a listing and description of the Company's interests in joint ventures[1]:

Block	Country	Working interest %	Block	Country	Working interest %
Block 9	Bangladesh	60	Semai V	Indonesia	100
Feni/Chattak	Bangladesh	100	Seram	Indonesia	55
D6	India	10	South East Ganal I	Indonesia	100
Hazira	India	33	South East Seram	Indonesia	100
NEC-25	India	10	South Matindok	Indonesia	100
Aru	Indonesia	60	Sunda Strait I	Indonesia	100
Bone Bay	Indonesia	100	West Papua IV	Indonesia	49.9
Cendrawasih	Indonesia	70	West Sageri	Indonesia	100
Cendrawasih Bay II[2]	Indonesia	50	Grand Prix	Madagascar	35
Cendrawasih Bay III	Indonesia	50	Guayaguayare, Shallow Horizon[1]	Trinidad	65
Cendrawasih Bay IV	Indonesia	50	Guayaguayare, Deep Horizon[1]	Trinidad	80
East Bula	Indonesia	55	Block 4(b)	Trinidad	100
Halmahera-Kofiau	Indonesia	80	NCMA2	Trinidad	56
Halmahera II	Indonesia	20	NCMA3	Trinidad	80
Kofiau	Indonesia	100	Block 5(c)[1]	Trinidad	25
Kumawa	Indonesia	100	MG Block	Trinidad	70
North Ganal	Indonesia	18.5	PEPB-M-621	Brazil	30
North Makassar	Indonesia	30	PEPB-M-729	Brazil	30
Obi	Indonesia	42			

(1) Working interest is as at March 31, 2014 and does not reflect farm-outs and other arrangements that are subject to government approval or were approved by the government subsequent to March 31, 2014.

(2) The Company has obtained government approval for the relinquishment of the Cendrawasih Bay II block subsequent to March 31, 2014.

(e) Financial assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value depending on their classification. The Company classifies financial assets into the following categories: financial assets at fair value through

profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets.

Financial assets at fair value through profit or loss are measured at fair value with the corresponding gains or losses recognized in profit or loss. The Company classifies cash and cash equivalents, restricted cash, short-term investments and long-term investments as held-for-trading financial assets.

Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method. The Company classifies accounts receivable and long-term accounts receivables as loans and receivables. The Company does not have any financial instruments classified as held-to-maturity.
Available-for-sale financial assets are recognized at fair value with the gains and losses, except for impairment losses and foreign exchange gains and losses, being recognized in other comprehensive income (loss) and transferred to profit or loss when the asset is derecognized or impaired. The Company does not have any financial assets classified as held-for-sale.

The Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired at the end of each reporting period. Any loss determined is recognized in earnings.

(f) Inventories

Inventories of stock, spares and consumables are purchased for use in oil and gas operations and are valued at the lesser of cost and fair value less cost to sell. The costs of purchase of inventories comprise the purchase price, import duties and other taxes, and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services.

Inventory of oil and condensate is valued at the lower of the weighted average cost and net realizable value. Cost is comprised of operating expenses that have been incurred in bringing inventories to their present location and condition and the portion of depletion expense associated with the oil and condensate production. The cost of inventories is assigned using the weighted average cost formula, whereby the cost of each barrel of oil or condensate is determined from the weighted average of the cost of each barrel at the beginning of a period and the cost of barrels produced during the period. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(g) Oil and natural gas exploration and development expenditure

Oil and natural gas exploration and development expenditure is accounted for using the method described below.

(i) Pre-license costs - Pre-licence costs are charged against income as incurred.

(ii) Licence and property acquisition costs - Exploration licence and property acquisition costs are capitalized as exploration and evaluation assets pending drilling results on the licence.

(iii) Exploration expenditure - Geological and geophysical exploration costs are charged against income as incurred.
Costs directly attributable to an exploration well are initially capitalized as exploration and evaluation assets. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, may be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to regular technical, commercial and management review to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to development assets.

All other exploration costs are expensed when incurred.

(iv) Development and production assets
Expenditure for development and production assets including the costs of drilling development wells and the construction of production facilities are capitalized under development assets and transferred to producing assets when they are put in use. After recognition as an asset, development and producing assets are carried at cost less any accumulated depletion and impairment losses.

(v) Farm-outs

The Company enters into agreements to transfer a portion of its interests in oil and gas properties (farm-outs) to third parties. Proceeds from these arrangements are first deducted from any exploration and evaluation and development assets recorded for the property and any excess is recognized as other income.

(h) Other property, plant and equipment

Items of property, plant and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and impairment losses. Initial costs include expenditure that is directly attributable to the acquisition of the asset. The costs of the day-to-day servicing of items of property, plant and equipment are recognized in income as incurred.

(i) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and impairment losses. Amortization of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in income when the asset is derecognized.

(j) Depletion and depreciation

Exploration and evaluation assets and development assets are not depreciated.

The net carrying value of producing assets is depleted using the unit-of-production method by reference to the ratio of production in the year to the related total proved reserves of oil and natural gas, taking into account estimated future development costs necessary to bring those reserves into production.

Depreciation for finance lease assets is consistent with that for depreciable assets that are owned. Depreciation for finance lease assets is charged based on the unit-of-production method over the life of the total proved reserves.

For other assets, depreciation is recognized in profit or loss on a diminishing balance or straight-line basis depending on the nature of the asset over the estimated useful lives of each group of property, plant and equipment. Land is not depreciated.

The estimated useful lives of other property, plant and equipment are:

Buildings	27 - 30 years
Plant and machinery	7 - 9 years
Office equipment, furniture and fittings	3 - 10 years
Computers	3 - 5 years
Vehicles and aircraft	4 - 7 years
Pipeline	20 years

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in income in the period in which they are incurred.

(l) Impairment of tangible and intangible assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired or may require a reversal of impairment. Impairment is assessed at the cash generating unit level and the determination of cash

generating unit's ("CGU") is an area of judgment. If any such indication exists, the Company estimates the recoverable amount of the asset. Indications include: a significant decline in market value of the asset; significant changes have taken or will take place in the technological market, economic or legal environment in which the Company operates or in the market to which an asset is dedicated; a significant increase in market interest rates that would affect the discount rate and value of the asset; and the carrying amount of the net assets of the entity is more than its market capitalization. The recoverable amount is defined as the greater of the asset's fair value less cost to sell and its value in use.

Irrespective of whether there is any indication of impairment, the Company tests intangible assets with an indefinite useful life and intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

(m) Financial liabilities and equity instruments issued by the Company

Financial liabilities at fair value through profit or loss are measured at fair value with the corresponding gains or losses recognized in profit or loss. The Company does not have any financial liabilities at fair value through profit or loss. All other financial liabilities are measured at amortized cost using the effective interest method, less any impairment losses. The Company classified accounts payable and accrued liabilities, unsecured notes, and term loan as other financial liabilities.

The convertible notes are consisted a compound instrument as they can be converted to a fixed number of common shares at the option of the holder. The liability component of a compound instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method.

Equity instruments are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects, if any.

(n) Derivative financial instruments

Derivative financial instruments are classified as fair value through profit or loss and measured at fair value with changes in fair value over a reporting period recognized in profit or loss. The Company's deferred obligation is considered to be a derivative financial instrument. The unrealized gains and losses on the deferred obligation are presented as loss on derivative.

(o) Leasing

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. At the commencement of the lease term, the Company recognizes the finance lease as assets and liabilities in the statements of financial position at the lesser of the fair value of the leased property and the present value of the minimum lease payments. Any initial direct costs of the lessee are added to the amount recognised as an asset.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's policy on borrowing costs. Contingent rents are charged as expenses in the periods in which they are incurred.

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are generally recognised as an expense on a straight-line basis over the lease term.

(p) Decommissioning obligations

Certain production sharing contracts that the Company has entered into indicate an obligation for abandonment of wells and

facilities including removal of all equipment and installations and site restoration, collectively termed decommissioning obligations. Provision is made for the estimated cost of decommissioning obligations for a well that has been drilled and for equipment or installations upon completion. The provision is capitalized in the relevant asset category.

The provision for decommissioning obligations is management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provision is calculated as the present value of the expenditures expected to be required to settle the obligation in the future, discounted using a risk-free rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(q) Revenue recognition

Revenue resulting from the sale of oil, condensate and natural gas from properties in which the Company has an interest with other producers is recognized on the basis of the Company's working interest.

Revenue from the sale of oil, condensate and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer, which is at the delivery point as defined in the various sales contracts. Revenue is measured at the fair value of the consideration received or receivable. Revenue recorded is net of value-added tax ("VAT"), other sales-related taxes, royalties and the government share of the profit oil and gas as determined under the Company's production sharing arrangements.

(r) Finance income and finance expense

Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Finance expense comprises (i) interest expense on debt obligations; (ii) accretion on decommissioning obligations, debt obligations and other long-term liabilities; and (iii) bank charges and other finance costs

(s) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency), which is US Dollars for the foreign entities and Canadian Dollars for Canadian entities. For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in US Dollars, which is the presentation currency for the consolidated financial statements.

In preparing financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in the statement of comprehensive income (loss) in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Canadian entities with the Canadian Dollar as their functional currency are expressed in US Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income (loss) and accumulated in equity.

(t) Share-based payments

The Company has a share-based compensation plan as described in note 22. All share-based awards of the Company are equity settled. Compensation expense associated with the plan is calculated and, recognized in income or capitalized, over the vesting period of the stock option with a corresponding increase in contributed surplus. The consideration received upon exercise of the stock options, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(u) Taxation

Income tax expense is the sum of current tax, minimum alternate tax and deferred tax.

Current tax is the amount of income taxes payable in respect of the taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Minimum alternate tax is the amount of tax payable in respect of accounting profits. The Company pays the greater of minimum alternate tax and current tax for blocks in India.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences and the carry-forward of unused tax losses and unused tax credits.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in net income, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(v) Earnings per share

Basic earnings per share is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise convertible notes and share options granted to employees.

(w) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. As at March 31, 2014 the Company has 7 reportable segments, which comprises oil and gas exploration, development and production activities within Bangladesh, Brazil,

India, Indonesia, Madagascar, Pakistan, and Trinidad. The Kurdistan segment is disclosed for comparative purposes as the Company's only block in this segment was relinquished in fiscal 2013.

4. Management's judgements and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from those estimated. Significant estimates and judgement made by management in the preparation of these consolidated financial statements are as follows:

Oil and Natural Gas Reserves

Reserve estimates can have a significant effect on net earnings as a result of their impact on the depletion rate, provisions for decommissioning obligations and asset impairments. Independent qualified engineers in conjunction with the Company's reserve engineer estimate the value of oil and natural gas reserves on annual basis. The estimation of reserves is an inherently complex process requiring significant judgments. Estimates of economically recoverable oil and gas reserves and future cash flows from those reserves are based on a number of variables and assumptions such as geological interpretation, commodity prices, operation and capital costs and production forecasts, all of which may vary considerable from actual results. These estimates are expected to revise upward or downward over time, as additional information such as reservoir performance becomes available, or as economic conditions change.

Depletion, Depreciation and Amortization

The Company's property and equipment is depreciated based upon estimates of useful lives and salvage values. The net carrying value of producing assets are depleted using the unit-of-production method by reference to the ratio of production in the year to the related total proved reserves of oil and natural gas reserves. By their nature the estimates of reserves, including the estimates of future commodity prices, costs, foreign exchange, discount rates and the related future cash flows, are subject to measurement uncertainty. Revisions to reserve estimates and the associated future cash flows could significantly increase or decrease depletion expense charged to net income. Accordingly the impact to the consolidated financial statements in future periods could be material.

Asset Impairment

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Events and circumstances may change resulting in indicators of impairment in future periods that could result in a material impairment. Indications include: a significant decline in market value of the asset; significant changes have taken or will take place in the technological, market, economic or legal environment in which the Company operates or in the market to which an asset is dedicated; a significant increase in market interest rates that would affect the discount rate and value of the asset; and the carrying amount of the net assets of the entity is more than its market capitalization. Irrespective of whether there is any indication of impairment, the Company tests intangible assets with an indefinite useful life and intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. The recoverable amount requires the use of assumptions and estimates including quantities of recoverable resources, estimated production quantities, future commodity prices and further exploration, development and production costs.

The recoverability of production asset carrying values is assessed at the cash generating unit level. Determination of what constitutes a CGU is subject to management judgements and the circumstances, but generally, each production sharing contract ("PSC") constitutes a CGU. The composition of a CGU can impact the recoverability of the assets included therein. In assessing the recoverability of oil and gas properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of its fair value less cost to sell and value in use. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty.

Changes in any of these assumptions could impact the estimated recoverable amount and result in an impairment of exploration and evaluation assets, development assets, capital work-in-progress and other property, plant and equipment. Accordingly, the impact to the consolidated financial statements in future periods could be material.

The following commodity price estimates were used in the calculation of net present value of the cash flows from oil and gas reserves:

Year ending March 31,	India natural gas ($/MMbtu)	India crude oil ($/bbl)	India condensate ($/bbl)	Bangladesh natural gas ($/Mcf)	Bangladesh condensate ($/bbl)
2015	7.12	103.49	84.99	2.32	97.95
2016	10.84	98.90	80.40	2.32	94.82
2017	11.23	96.45	77.95	2.32	94.62
2018	11.33	96.51	78.01	2.32	95.45
2019	11.97	97.64	79.14	2.32	97.36
Thereafter	+2%	+2%	+2%	2.32	101.33

Decommissioning Obligations

Production sharing contacts that the Company has entered into indicate an obligation for abandonment of wells and facilities including removal of all equipment and installations and site restoration, collectively termed decommissioning obligations. Amounts used for provision calculations are based on abandonment costs, inflation, interest rates and timing of decommissioning expenditures. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Share-Based Compensation

Share-based compensation are subject to the estimation as they are calculated using the Black-Scholes option pricing model which is based on significant assumptions such as volatility, expected life, dividends yields, risk-free interest rates and expected forfeiture rates.

Income Taxes

The Company estimates current and future income taxes based on its interpretation of tax laws in the various jurisdictions in which it operates and pays income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. Determination of income taxes is subject to measurement uncertainty. Management makes certain judgements in estimating the timing of temporary difference reversals and the likelihood that deferred tax assets will be realized from future taxable earnings. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Property, Plant and Equipment

Transfer of assets from exploration and evaluation to producing and developing is based on management's assessment of technical feasibility and commercial viability in which is subject to judgment.

5. Accounting pronouncements

(a) New standards adopted

The Company adopted the following new and amended standards on April 1, 2013:

IFRS 7 – Financial Instruments: Disclosures

IFRS 7 was amended by the IASB in December 2011. The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. These disclosure requirements enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP. The amendments did not have a significant impact on the Company's consolidated financial statements.

IFRS 10 – Consolidated Financial Statements

IFRS 10 establishes a single control definition that applies to all entities including special purpose entities. The standard replaces parts of the previously existing IAS 27 Consolidated and Separate Financial Statements. IFRS 10 defines control such that an investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. To meet the definition of control, all three of the following criteria must be met: (a) an investor has power over an investee; (b) the investor has exposure or rights to variable returns from

its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of this standard did not impact these consolidated financial statements.

IFRS 11 – Joint Arrangements
IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and IAS 28 "Investment in Associates". IFRS 11, "Joint Arrangements", requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. A joint venture is accounted for using the equity method of accounting whereas for a joint operation is accounted for by recording the entities share of the assets, liabilities, revenue and expenses in the joint operation. The adoption of this standard did not impact these consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities
IFRS 12 provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates, and special purpose vehicles. The new disclosure requires information that will assist financial statement users in evaluating the nature, risks and financial effects of an entity's interest in subsidiaries and joint arrangements. The adoption of this standard did not impact these consolidated financial statements.

IFRS 13 – Fair Value Measurement
IFRS 13 provides a common definition of fair value within IFRS. The new standard provides measurement and disclosure guidance and applies when IFRS requires or permits the item to be measured at fair value, with limited exceptions. The adoption of these standards had no impact on the amounts recorded in these consolidated financial statements but did result in additional disclosures as provided in note 21.

(b) Accounting pronouncements issued but not yet effective

IFRS 9 – Financial Instruments
IFRS 9 was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement". A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. In December 2011, amendments indicated instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 to IFRS 9 on the basis of the entity's date of adoption and if the entity chooses to restate prior periods. In November 2013, amendments to IFRS 9 incorporated its new general hedge accounting model. The standard is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

IFRS 10 – Consolidated Financial Statements
IFRS 10 was amended by the IASB in October 2012. The amendments provide an exemption from consolidation of subsidiaries for entities which meet the definition of an 'investment entity'. Such entities are to measure investment in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9, "Financial Instruments" or IAS 39, "Financial Instruments: Recognition and Measurement". The amendments also introduce new disclosure requirements related to investment entities in IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements". The amendments to IFRS 10 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

IAS 32 – Financial Instruments: Presentation
IAS 32 was amended by the IASB in December 2011. The amendment prescribes rules for the offsetting of financial assets and financial liabilities. It specifies that a financial asset and a financial liability should be offset and the net amount be reported, when an entity has a legally enforceable right to offset the amounts if that right is not contingent on a future event and must be legally enforceable in all of the following circumstances such as the normal course of business, the event of default and the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

IAS 36 – Impairment of Assets

IAS 36, "Impairment of Assets" was amended by the IASB in May 2013. The amendments removed the requirement to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant when compared to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. However amendments requires disclosure on the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period, additional information about the fair value less costs of disposal of an individual asset, including goodwill, or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period, and disclosure of the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

IAS 39 – Financial Instruments

IAS 39 was amended by the IASB in June 2013. The amendments clarify that there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

IFRIC 21 – Levies

IFRIC 21 was amended by the IASB in June 2013. IFRIC 21 provides guidance on recognition of a liability for levies that are accounted for in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". IFRIC 21 provides the following guidance on recognition of a liability to pay levies: (i) the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation, and (ii) the liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

6. Restricted cash

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Current portion of restricted cash		
Bank guarantee[1]	8,701	1,416
Term loan reserve account[4]	79,129	-
	87,830	1,416
Non-current portion of restricted cash		
Performance security guarantees[2]	3,030	6,575
Site restoration[3]	8,864	7,454
Term loan reserve account[4]	12,500	-
	24,394	14,029
	112,224	15,445

(1) The Company provided a bank guarantee to Reliance, the operator of the D6 Block, in connection with the anticipated requirements of the Domestic Natural Gas Guidelines, 2014, whereby a bank guarantee was to be provided by Reliance to the GOI as security in the case of an adverse outcome of the D6 arbitration proceedings. See note 2 and 35 for details.

(2) The Company has performance security guarantees related to the work commitments for exploration blocks. The Company is required to provide funds to support the guarantees in the amounts indicated above.

(3) In accordance with the provisions of its production sharing contracts, the Company is required to deposit funds in separate accounts restricted to funding of future decommissioning obligations. The funds may be used for site restoration on the expiry or termination of an agreement or relinquishment of part of the contract area.

(4) Under the terms of the term loan facilities agreement, the advances under Facility B and C are required to be used by the Company to fund expenditures in the D6 Block, with a portion to be retained as a minimum balance. See note 14 for details.

7. Accounts receivable

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Oil and gas revenues receivable	18,758	17,804
Receivable from joint venture partners	13,890	39,170
Advances to vendors	4,315	1,618
Prepaid expenses and deposits	2,115	3,860
VAT receivable	1,283	18,505
Other receivables	2,247	3,877
	42,608	84,834

8. Inventories

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Stock, spares and consumables	9,394	9,617
Oil and condensate inventories	1,205	483
	10,599	10,100

9. Short-term investments

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Opening balance	92	748
Disposals	-	-
Loss on short-term investments	(90)	(653)
Foreign exchange	(2)	(3)
Closing balance	-	92

10. Long-term investments

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Opening balance	1,270	2,752
Loss on long-term investments	(1,252)	(1,453)
Foreign exchange	(18)	(29)
Closing balance	-	1,270

11. Exploration and evaluation assets

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Opening balance	695,624	856,880
Additions	91,728	174,242
Disposals and other arrangements	(17,056)	(70,697)
Transfers	6,437	(102,766)
Expensed	(105,132)	(94,089)
Impairments	(498,775)	(66,896)
Foreign currency translation	(5,161)	(1,050)
Closing balance	167,665	695,624

For the year ended March 31, 2014 the Company expensed $105 million of exploration costs related to unsuccessful exploration wells, primarily in Indonesia.

In the second quarter of fiscal 2014 the Company shifted its focus to developing and appraising its assets in the D6 block in India while striving to maintain optionality on its exploration and evaluation assets. In conjunction, the Company entered into a definitive term loan facilities agreement in the third quarter of fiscal 2014 that limited capital expenditure spending outside of India and Bangladesh. As such, the Company is evaluating its options for its exploration subsidiaries outside of these areas by means of potential farm out agreements, sale of assets or relinquishment. For the year ended March 31, 2014, the Company recognized impairments of $499 million relating to its exploration and evaluation assets in Indonesia and Trinidad.

In the third quarter of 2013, the GOI issued an order, requiring certain portions of the D6 Block contract area to be relinquished. The areas required to be relinquished include areas around five successful exploration discoveries. The Company, along with the operator, is contesting with GOI that the areas around these discoveries should be not required to be relinquished. The matter is currently pending for resolution. In the event of an adverse decision, the Company will write off the carrying value of these discoveries of $12 million.

12. Property, plant and equipment

(a) Development assets

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Opening balance	129,822	16,988
Additions	37,621	10,044
Transfers from/to other asset categories	(30,232)	102,790
Closing balance	137,211	129,822

(b) Producing assets

(thousands of US Dollars)	As at March 31, 2014	Year ended March 31, 2013
Cost		
Opening balance	1,039,208	1,042,869
Additions	-	134
Transfers from other asset categories	31,145	(40)
Disposals	(1)	(3,711)
Foreign currency translation	(121)	(44)
Closing balance	1,070,231	1,039,208
Accumulated depletion		
Opening balance	(627,883)	(587,372)
Additions	(106,788)	(142,099)
Reversal of impairments	-	101,544
Foreign currency translation	143	44
Closing balance	(734,528)	(627,883)
Net producing assets	335,703	411,325

As part of its process in assessing for impairment triggers, the Company evaluated the situation regarding the expected increase Indian domestic gas price, based on the Domestic Natural Gas Guidelines, 2014 notified by the GOI in fiscal 2014 (see note 2 for details) and determined that no impairment triggers existed at March 31, 2014 relating to its development and producing assets in the D6 and NEC-25 blocks in India (combined value of $398 million).

As described in note 2, there is significant uncertainty at this time as to the timing and magnitude of the price increase for the Company's future natural gas sales in India. A future natural gas price that is lower than the prices used in preparation of the Company's independent reserve evaluation for its India properties as at March 31, 2014 based upon the notified pricing formula (see note 4 for details) could impact the Company's plans for its assets in the D6 and NEC-25 blocks in India and could potentially result in impairment triggers and material impairments to the carrying values of these assets. The magnitude of any potential impairment is indeterminable at this time.

(c) Other property, plant and equipment

(thousands of US Dollars)	Land and buildings	Vehicles, helicopters and aircraft	Office equipment, furniture and fittings	Pipelines	Total
Cost					
Balance, March 31, 2013	18,234	2,346	9,353	10,762	40,695
Additions	-	-	278	(15)	263
Disposals / impairments	-	-	(227)	-	(227)
Foreign currency translation	-	-	(320)	-	(320)
Balance, March 31, 2014	18,234	2,346	9,084	10,747	40,411
Accumulated depreciation					
Balance, March 31, 2013	(7,161)	(1,654)	(5,755)	(7,852)	(22,422)
Additions	(932)	(137)	(947)	(418)	(2,434)
Foreign currency translation	-	-	261	-	261
Balance, March 31, 2014	(8,093)	(1,791)	(6,441)	(8,270)	(24,595)
Net book value, March 31, 2014	10,141	555	2,643	2,477	15,816

(thousands of US Dollars)	Land and buildings	Vehicles, helicopters and aircraft	Office equipment, furniture and fittings	Pipelines	Total
Cost					
Balance, March 31, 2012	18,346	2,376	8,754	10,772	40,248
Transfers / additions	(112)	(3)	1,196	(10)	1,071
Disposals / impairments	-	(27)	(535)	-	(562)
Foreign currency translation loss	-	-	(62)	-	(62)
Balance, March 31, 2013	18,234	2,346	9,353	10,762	40,695
Accumulated depreciation					
Balance, March 31, 2012	(6,127)	(1,482)	(4,449)	(7,341)	(19,399)
Additions	(1,034)	(172)	(1,344)	(511)	(3,061)
Foreign currency translation gain	-	-	38	-	38
Balance, March 31, 2013	(7,161)	(1,654)	(5,755)	(7,852)	(22,422)
Net book value, March 31, 2013	11,073	692	3,598	2,910	18,273

(d) Capital work-in-progress

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Balance, March 31, 2013	34,746	15,757
Additions	24,810	21,350
Transfers	(3,022)	(1,988)
Impairments	(12,561)	(373)
Balance, March 31, 2014	43,973	34,746

During the year the Company recognized $13 million of impairments in the carrying values of capital inventory in Indonesia to the Company's estimates of net recoverable amounts.

13. Accounts payable and accrued liabilities

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
India	53,539	48,005
Bangladesh	3,341	3,721
Indonesia	91,011	103,512
Trinidad	21,179	11,289
Other exploration areas	5,820	6,467
Canada and other	5,954	4,582
	180,844	177,576

14. Term Loan

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Opening balance	-	-
Advances, net of issuance costs	305,450	-
Deferred obligation (note 19b)	(60,540)	-
Accretion	3,823	-
Interest on Facility E	281	-
Closing balance	249,014	-
Current portion	10,140	-
Long-term portion	238,874	-

In December 2013, the Company entered into a definitive facilities agreement with certain institutional investors providing for senior secured term loan facilities in an aggregate principal amount of $340 million. The key terms of the facilities agreement and related documentation are as follows:

Specific terms of facilities A/B/C[(1)]:

- Facilities amount: $300 million (combined)
- Prepayment: At the Company's option at any time after December 20, 2015 (at a 7 percent premium, decreasing to 4 percent after December 20, 2016)
  At the Lenders option (without premium) from the remaining net proceeds of certain asset sales, farm-outs, equity and debt issuances, after contract settlement payments and Facility D/E prepayments
- Repayment: On September 30, 2017
- Use of proceeds: $175 million Facility A: General corporate purposes, subject to certain restrictions
  $125 million Facilities B/C: Restricted to expenditures related to the D6 Block in India
- Interest: Quarterly cash interest payments at 15 percent per annum; potential 5 additional percent per annum payable upon repayment if first ranking security is not provided over the Company's participating interest in the D6 Block

(1) In the first quarter of fiscal 2015, the Company made an offer to prepay approximately $26 million of Facility A, along with accrued interest. The decision of the lender group was to decline the offer, resulting in additional cash being available for funding. See note 35 for details.

Specific terms of facility D[(2)]:

- Facility amount: US$20 million
- Prepayment: Required (without premium) from payment due from Hess Corporation described below or from the remaining net proceeds of certain asset sales, farm-outs, equity and debt issuances, after contract settlement payments and Facility E prepayment
- Repayment: Commencing April 30, 2015 from gross revenue of D6 Block
- Use of proceeds: General corporate purposes, subject to certain restrictions
- Interest: Quarterly cash interest payments at 15 percent per annum; additional 5 percent per annum payable upon repayment

(2) In January 2014, the Company decided to forego its option to drawdown this facility and the facility commitment was cancelled.

Specific terms of facility E[3]:

- Facility amount: $20 million
- Prepayment: Required (without premium) from the remaining net proceeds of certain asset sales, farm-outs and equity or debt issuances, after contract settlement payments
- Repayment: Commencing December 31, 2014 (for so long as more than $10 million remains outstanding) or March 31, 2015 (if less than $10 million remains outstanding), in each case from gross revenue of the D6 Block
- Use of proceeds: General corporate purposes, subject to certain restrictions
- Interest: Quarterly cash interest payments at 15 percent per annum; additional 5 percent per annum payable upon repayment

(3) In the first quarter of fiscal 2015, the Company fully repaid Facility E, along with accrued interest. See note 35 for details.

Uncommitted D6 facility:

The facilities agreement also includes a provision for an uncommitted facility that can be funded at the option of any lenders if the Company is unable to fund the cash call requirements of the D6 Block. Advances under this facility are repayable from the Company's gross revenues from the D6 Block until an amount equal to 200 percent of the advanced amount has been paid.

Financial covenants

The Company is subject to the following financial covenants under the facilities agreement:

- Maximum ratio of (a) consolidated senior debt (defined as debt incurred under facilities A, B and C and finance lease obligations) to (b) the consolidated EBITDAX (as defined in the facilities agreement) for the trailing four quarters, commencing with the period ending June 30, 2014.
- Minimum ratio of (a) proved plus probable reserves for the D6 Block to (b) senior debt, commencing with the period ending March 31, 2014.

As at March 31, 2014, the Company is in compliance with its financial covenants.

General covenants

The Company has agreed to several other undertakings and covenants in the facilities agreement, including:

- Maintenance of certain reserve accounts, including:
  - A reserve account for anticipated capital expenditures in the D6 Block, with a minimum balance that increases over time to the greater of US$30 million and the Company's forecasted capital expenditures in the D6 Block for the subsequent six month period.
  - A reserve account for settlement payments, with a minimum balance commencing December 31, 2014 equal to the payments required under the terms of the settlement agreement with Diamond Offshore (see note 19a) for the subsequent six month period.
  - A reserve account for debt service, with a minimum balance commencing December 31, 2014 equal to the interest payments due under the facilities agreement for the subsequent six month period.
- Requirement to make offers to prepay the facilities in certain circumstances, including:
  - Receipt of net proceeds of asset sales, farm-outs and equity or debt issuances
  - Change of control
  - Disposal of all or any part of Niko's rights in respect of the D6 Block.
- Restrictions on cash expenditures relating to areas outside of India and Bangladesh, subject to certain exceptions.
- Requirement to raise certain minimum amounts from asset sales, farm-outs and/or equity issuances by June 30, 2015.
- Restrictions on the incurrence of debt, granting of liens, investments and similar transactions.

As at March 31, 2014, the Company is in compliance with its general covenants.

Security

The obligations under the facilities agreement and the deferred obligation agreement (see note 19b) are initially secured by:

- charges over all of the present and after-acquired personal and real property of the Company and certain of its subsidiaries;
- specific pledges and charges over the shares of substantially all of the Company's subsidiaries; and
- specific charges over the bank accounts of the Company and certain of its subsidiaries.

The Company has also provided first ranking security over the Company's participating interest in the Block 9 PSC and has agreed to use best endeavours to obtain all necessary governmental authorizations to provide first ranking security over the Company's participating interest in the D6 PSC.

Use of Proceeds

In December 2013, the Company received an advance of $320 million under the facilities, a portion of which was used to repay the Company's revolving credit facilities (see note 15) and secured loan facility (see note 17), to make an initial payment to Diamond Offshore pursuant to the contract settlement obligation (see note 19a), and to pay legal and other expenses associated with the facilities agreement and related documentation.

Farm-in Options

As a condition of the facilities agreement, the Company entered into a farm-in rights agreement with an affiliate of the lenders that grants four exclusive, irrevocable, non-assignable rights to acquire interests in pre-selected Indonesian PSCs. Each farm-in right provides the holder with the option to purchase a 5 percent participating interest in selected PSCs (subject to a maximum acquired participating interest equal to the lesser of 50 percent of the Company's aggregate participating interests in the selected PSC and 10 percent) by paying its proportionate share of the previously incurred costs of the selected PSC. A farm-in right may be exercised by the holder by giving at least seven days' notice prior to the target spud date of a well to be drilled in the selected PSC. Unexercised farm-in rights expire on the earlier of (i) the date on which the eighth well on the selected PSCs is spudded and (ii) December 20, 2020.

Deferred Obligation

As a condition of the facilities agreement, the Company entered into an agreement that provides for a monthly payment equal to six percent of the Company's share of the gross revenues from the D6 Block in India, commencing April 1, 2015 for a period of seven years (see note 19b).

15. Revolving credit facilities

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Opening balance	90,000	25,000
Advances	-	65,000
Repayments	(90,000)	-
Closing balance	-	90,000

Prior to December 2013, the Company had a three year, extendible, revolving syndicated credit facility and a three year, extendible, revolving operating facility, pursuant to a credit agreement with a syndicate of banks and financial institutions.

During 2013, the Company agreed with the credit facility syndicate to make a repayment of $10 million on the revolving credit facilities and place $33 million of proceeds received from certain farm-outs and other arrangements into escrow. In November 2013, the funds in escrow were used to make a repayment on the facilities.

In December 2013, a portion of the proceeds from the advance of the term loan (see note 14) were used to repay the remaining $47 million outstanding on the revolving credit facilities and the facilities were cancelled.

16. Convertible notes

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Opening balance	79,785	-
Issuance, net of issuance costs	-	80,168
Accretion	4,948	1,527
Foreign currency translation	(6,703)	(1,868)
Conversions	-	(42)
Closing balance	78,030	79,785

In December 2012, the Company issued Cdn$115 million principal amount of convertible senior unsecured notes of which Cdn$32 million (less issuance costs of Cdn$1 million) was allocated to the conversion option and classified in the equity section on the Statement of Financial Position. The equity portion was recorded net of a Cdn$7 million deferred tax liability which results from temporary difference between the carrying amount and the tax value of the notes. The liability portion of the convertible notes was carried net of issuance costs of Cdn$4 million. The issuance costs were allocated pro-rata between the debt and equity portion of the convertible notes based on the valuation of the gross proceeds.

The convertible notes mature on December 31, 2017 and bear interest a rate of 7 percent, with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2013. The convertible notes are convertible at the option of the holders into common shares at a conversion price of Cdn$11.30 per share. After December 31, 2015, the convertible notes are redeemable by the Company, in whole or in part from time to time, provided that the market price of the Company's common shares (defined as the weighted average trading price of the common shares for the twenty consecutive trading days ending five trading days prior to the issue of the notice of redemption) is at least 130 percent of the conversion price. The Company has the right to use common shares to satisfy some or all of its obligations for the convertible notes.

The convertible notes are guaranteed on an unsecured basis by the Company's subsidiaries, Niko Resources (Cayman) Ltd., Niko (NECO) Ltd. and Niko Exploration (Block 9) Ltd. Each guarantor guarantees that the notes shall be paid in accordance with the agreement terms.

17. Secured loan

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Opening balance	-	-
Advances, net of issuance costs	51,861	-
Accretion	8,139	-
Repayment	(60,000)	-
Closing balance	-	-

In July, 2013, the Company entered into an agreement for a $60 million secured loan funded by a group of institutional investors. The secured loan bore interest at 7 percent per annum, payable quarterly, and was to mature on July 17, 2015 with no scheduled amortization. The secured loan was secured by pledges of the shares of the Company's subsidiaries that own the Company's interests in the NEC-25 Block in India and two blocks in Indonesia and was guaranteed on an unsecured basis by the Company's subsidiaries that directly or indirectly own the Company's interests in the D6 Block in India. The net proceeds from the secured loan were approximately $52 million, after deducting the original issue discount and the related expenses payable by the Company. Under the terms of the secured loan, the net proceeds from drawdowns that occurred in separate tranches in July 2013 could be used for funding of expenditures related to the Company's production sharing contracts, including working capital requirements.

In December 2013, the Company repaid the secured loan using proceeds from the advance of the term loan (see note 14) and paid a prepayment premium of $2 million, which has been expensed as additional interest expense. The outstanding balance of unamortized issuance costs was expensed as additional accretion expense.

In connection with the loan agreement, the Company also signed exploration option agreements granting farm-in options to the option holder to (i) acquire a 5 percent working interest in each of two blocks in Indonesia, by paying its proportionate share of previously incurred costs within a specified period after the drilling of the first exploration well in the block, or (ii) receive a cash payment of approximately $10 million if a commercial discovery is made with the first exploration well drilled in the applicable block and the optionee elects not to exercise its farm-in option in the applicable block. The optionee did not exercise its farm-in option for one of the blocks after the drilling of the first exploration well in this block and the exploration option agreement for this block has terminated. Pursuant to the exploration option agreement still in effect, if a well is not spud in another applicable block in Indonesia prior to July 2016, the Company is obligated to pay approximately $5 million to the option holder.

18. Unsecured notes

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Opening balance	-	-
Issuance, net of issuance costs	58,370	-
Accretion	5,130	-
Repayment	(50,816)	-
Conversions	(6,903)	-
Closing balance	5,781	-

In June 2013, the Company issued $63.5 million of senior unsecured notes. The notes bear interest at 7 percent per annum, payable monthly, and were to be repaid through twelve equal monthly principal payments commencing August 13, 2013. Principal and interest payments were to be payable in cash or, at the Company's option, in common shares of the Company. The installment payments from August to November were made in cash.

In December 2013, the Company used the net proceeds from issuance of subscription receipts (see note 22a) to repay $30 million of outstanding principal and accrued interest and agreed with the holders of the unsecured notes to amend the terms of the Notes by deleting the required instalment payments, and granting the holders a conversion right in respect of the outstanding principal balance of the unsecured notes of approximately $13 million remaining after such repayment. At any time during the remaining term of the unsecured notes, the holders of the unsecured notes are entitled to convert all or any portion of the outstanding principal and accrued interest into shares of the Company. The number of shares to be issued upon conversion is determined by dividing the amount to be paid in shares by 94.5 percent of the lower of the volume weighted average price of the shares for the fifteen trading days prior to the conversion and the volume weighted average price of the shares for the five trading days prior to the conversion.

From December, 2013 to March 31, 2014, the holders of the unsecured notes converted approximately $6.9 million of outstanding principal plus accrued interest into a total of 3,643,452 common shares of the Company. Subsequent to March 31, 2014, the holders have converted approximately $5.3 million of outstanding plus accrued interest into a total of 2,997,611 common shares of the Company, reducing the outstanding principal to approximately $0.6 million as at June 26, 2014.

19. Other long-term liabilities

(a) Contract settlement obligation

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Opening balance	-	-
Additions	57,688	-
Accretion	1,998	-
Repayments	(25,000)	-
Closing balance	34,686	-
Current portion	5,000	-
Long-term portion	29,686	-

In December 2013, the Company entered into an agreement with Diamond Offshore relating to settlement of payment obligations and other commitments under the Ocean Monarch and Ocean Lexington drilling contracts. The settlement agreement includes a mutual release of claims in respect of certain rights and obligations under the drilling contracts, with the claims in respect of Niko's payment obligations under the drilling contracts to be released upon payment by the Company of US$80 million. An initial payment of US$25 million was made to Diamond Offshore using proceeds from the advance on the term loan (see note 14), with the outstanding balance to be paid over subsequent years up to September 30, 2017, subject to early prepayment upon the occurrence of certain events. The amounts due are non-interest bearing.

The settlement obligation has been reflected at the net present value of the expected payments, with the imputed interest of 23.85 percent to be recorded as accretion expense over the term of the settlement payments. The net remaining settlement obligation after the initial payment was expensed as restructuring costs.

In fiscal 2015, the Company made an early prepayment of approximately $15 million using the proceeds from the sale of its interest in the Block 5(c) asset (see note 35 for details).

(b) Deferred obligation

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Opening balance	-	-
Additions	60,541	-
Accretion	2,584	-
Loss on valuation of derivative (note 21)	15,544	-
Closing balance	78,669	-

In December 2013, as a condition of the term loan facilities agreement, the Company entered into an agreement that provides for a monthly payment equal to 6 percent of the Company's share of the gross revenues from the D6 Block in India, commencing April 1, 2015 for a period of seven years. If the Company sells or disposes of all or any portion of its participating interest in the D6 PSC prior to the end of the term of this agreement, it must pay an amount equal to the pro-rata share of the net present value of the remaining payments under the agreement. The Company may optionally redeem the entire remaining amount of the obligation at any time on terms satisfactory to the parties to the agreement. For so long as obligations under the term loan facilities agreement remain outstanding, the security for the term loan also secures this obligation.

The deferred obligation has been reflected at the net present value of the estimated payments, with the imputed interest of 16.30 percent to be recorded as accretion expense over the term of the payments. The initial valuation of the deferred obligation was recognized as additional debt issuance cost of the term loan. Subsequent changes in the valuation of the deferred obligation have been reflected on the statement of comprehensive loss as loss on derivatives.

20. Decommissioning obligations

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Opening balance	41,177	40,017
Provisions made during the year	622	(1,563)
Change in estimate during the year	(134)	(185)
Accretion	2,909	2,908
Closing balance	44,574	41,177

The Company's total decommissioning obligation is estimated based on the Company's net estimated costs of removal of all equipment and installations and site restoration and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning obligations to be $45 million as at March 31, 2014 (March 31, 2013 - $41 million) based on an undiscounted total future liability of $84 million (March 31, 2013 - $84 million). These costs are expected to be incurred over the next one to 13 years. The discount rate used to calculate the net present value of the future decommissioning obligations is the pre-tax rate reflecting current market assessments of the time value of money. In accordance with provisions of its production sharing contracts, the Company has deposited $9 million in separate accounts restricted to funding of future decommissioning obligations. These amounts have been treated as restricted cash and included in non-current assets.

21. Financial instruments

(a) Capital risk management

The Company's objective is to maintain a strong capital base and related capital structure. The objectives include the following:

(i) To promote confidence in the Company by the capital markets, by investors, by creditors and by government agencies in the countries in which the Company bids for concessions and/or operates;

(ii) To maintain resources required to withstand financial difficulties due to exogenous influences such as financial, political, economic, social or market uncertainties and events; and

(iii) To facilitate the Company's ability to fulfill exploration and development commitments, and to seek and execute growth opportunities.

The Company's capital base includes shareholders' equity and debt as follows:

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Term loan	249,014	-
Convertible notes	78,030	79,785
Unsecured notes	5,781	-
Revolving credit facility	-	90,000
Shareholders' equity	264,250	875,807

The Company's objective in capital management is to have the flexibility to alter the capital structure to take advantage of capital-raising opportunities in the capital markets, whether they are equity or debt-related.

The Company uses short-term and long-term forecasting models that capture the details of the major sources and uses of cash related to operating, financing, and investing activities. Management and the Board of Directors review the forecast models regularly. The regular reviews help ensure that the Company has the ability to fulfill its obligations and to fund ongoing operations.

(b) Fair value measurements

The Company classifies fair value measurements using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

The Company's investments as at March 31, 2014 and March 31, 2013 have been assessed on the fair value hierarchy described above and have been classified as Level 1. The fair value of the investments was based on publicly quoted market values. The current year includes $1 million loss (2013 – $1 million) on recognizing at their fair value.

The Company's deferred obligation as at March 31, 2014 have been assessed on the fair value hierarchy described above and have been classified as a Level 3 instrument. The fair value of the deferred obligation was based on estimates of production volumes and natural gas prices included in the reserve report for the D6 Block as at March 31, 2014. The current year includes $16 million loss (2013 – nil) on recognizing at their fair value (see note 19b).

(c) Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amounts of the cash and cash equivalents, restricted cash, and accounts receivable reflect management's assessment of the maximum credit exposure. The Company takes measures in order to mitigate any risk of loss, which may include obtaining guarantees. There were no changes in the Company's exposure to credit risks or any changes to the Company's processes for managing the risks from the previous period.

The aging of the accounts receivable[1] as at March 31, 2014 was:

(thousands of US Dollars)	As at March 31, 2014
0—30 days[2]	230
30—60 days[2]	-
60—365 days[2]	1,422
	1,652

(1) Excludes accrued receivables that have not yet been invoiced or due, loans and advances, prepaid expenses, and VAT receivables which are not past due.

(2) Accounts receivables are past due but not impaired as at March 31, 2014.

The accounts receivable that are not past due are receivable from counterparties with whom the Company has a history of collection and the Company considers the accounts receivable collectible. The Company has assessed the receivables that have been outstanding for more than 90 days and has determined that they are not impaired.

(d) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its exposure to this risk by preparing cash flow forecasts to assess when and if additional funds are required.

The Company has the following financial liabilities and due dates as at March 31, 2014:

(thousands of US Dollars)	Carrying amount	< 1 year	> 1 year
Accounts payable and accrued liabilities	180,844	180,844	-
Current taxes payable	1,263	1,263	-
Term loan(1)(6)	249,014	10,140	238,874
Finance lease obligations(2)(6)	37,024	6,801	30,223
Convertible notes(3)(6)	78,030	-	78,030
Unsecured notes(4)(6)	5,781	5,781	-
Other long-term liabilities(5)(6)	113,355	5,000	108,355

(1) The carrying amount of the term loan is the fair value of $249 million. The amount to be repaid is $320 million, with $10 million required to be repaid commencing after December 31, 2014, $10 million to be repaid commencing after March 31, 2015, and $300 million required to be repaid on September 30, 2017. In the first quarter of fiscal 2015, as a result of the sale of its interest in Block 5(c) (see note 35 for details), the Company made a $20 million prepayment on Facility E of the term loan and made an offer to prepay $26 million on Facility A of the term loan and the decision of the lender group was to decline the offer, resulting in additional cash being available for funding of the anticipated cash requirements of its operating subsidiaries in India and Bangladesh, its corporate general and administrative expenses, and its interest obligations.

(2) The carrying value of the finance lease obligation is the fair value of $37 million. The lease payments are $10.8 million per year (including principal and interest) until August 2018. Financing lease payments can be funded with cash restricted to D6 Block expenditures (see note 6).

(3) The carrying amount of the convertible notes is the fair value of $78 million. The amount that will be required to be repaid assuming that the notes are not converted or repaid in common shares is Cdn$115 million. The convertible notes will mature on December 31, 2017.

(4) The carrying amount of the unsecured notes is the fair value of $6 million. The amount that will be required to be repaid assuming the notes are not converted is $6 million. The unsecured notes will mature on July 13, 2014. During the first quarter of fiscal 2015, $5.3 million of principal on the unsecured notes has been converted into common shares and $0.6 million of principal is outstanding as at June 26, 2014.

(5) The carrying amount of the other long-term liabilities is the fair value of $113 million. The amount that will be required to be repaid for the contract settlement obligation is $55 million, which will be repaid in installments by September 30, 2017. In the first quarter of fiscal 2015, approximately $15 million was repaid on the contract settlement obligation (see note 35 for details). The amount that will be paid on the deferred obligation is estimated to be $161 million over seven years, commencing in April 2015.

(6) The amount due relates to the principal portion and excludes interest.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its financial instruments. There were no changes in the Company's exposure to market risks or the Company's processes for managing the risks from the previous period.

(i) Currency risk

The majority of the Company's revenues and expenses are denominated in US Dollars and the Company holds the majority of its funds in US Dollars, except as required to fund dividends and make interest payments on the convertible notes. As a result, the Company has limited its cash exposure to fluctuations in the value of the US Dollar versus other currencies. However, the Company is exposed to changes in the value of the Indian Rupee versus the US Dollar as they are applied to the Company's working capital, income tax receivable and deferred tax liability of its subsidiaries in India. The Company does not have any foreign exchange contracts in place to mitigate currency risk.

A 5 percent strengthening or a 5 percent weakening of the Indian Rupee against the US Dollar at March 31, 2014, which is based on historical movements in the foreign exchange rates, would have respectively decreased or increased the net loss by $0.1 million. This analysis assumes that all other variables remained constant.

The financial instruments are exposed to fluctuations in foreign exchange rates, which are used in the translation of the financial statements of the Canadian and corporate operations to US Dollars. The reported US Dollar value of the cash and

cash equivalents, accounts receivable, short-term investment and accounts payable of the Canadian and corporate operations is exposed to fluctuations in the value of the Canadian Dollar versus the US Dollar. A 3 percent strengthening or a 3 percent weakening of the Canadian Dollar against the US Dollar at March 31, 2014, which is based on historical movement in foreign exchange rates, would have respectively increased or decreased other comprehensive loss by $3 million. This analysis assumes that all other variables remained constant.

(ii) Commodity price risk

The Company is exposed to the risk of changes in market prices of commodities. The Company enters into natural gas contracts, which manages this risk. Because the Company has long-term fixed price gas contracts, a change in natural gas market prices would not have impacted the net loss for the year ended March 31, 2014. The Company is exposed to changes in the market price of oil and condensate. In addition, the Company will be exposed to the change in the Brent crude price as the average Brent crude price from the preceding year is a variable in the gas price for the following year, calculated annually, for the D6 gas contracts.

(iii) Other price risk

The Company has deposited the cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote.

22. Share capital

(a) Fully paid ordinary shares

The Company has authorized for issue an unlimited number of common shares and an unlimited number of preferred shares. The common shares issued are fully paid and the shares have no par value. No preferred shares have been issued.

In December 2013, the Company issued 16,853,575 subscription receipts at a price of Cdn$1.9715 per subscription receipt for gross proceeds of approximately Cdn$33 million (net proceeds of US$30 million). Upon the satisfaction of all conditions of the initial advance on the term loan, the subscription receipts were exchanged, without payment of any additional consideration, into an equivalent amount of common shares.

During the year, the holders of the unsecured notes converted approximately $6.9 million of the outstanding principal plus accrued interest into a total of 3,643,452 common shares of the Company.

(b) Share options granted under the employee share option plan

The Company has reserved for issue 9,071,294 common shares for granting under stock options to directors, officers, and employees. The options become vested immediately to five years after the date of grant and expire one to six years after the date of grant. The stock options are settled in equity.

Stock option transactions for the respective periods were as follows:

	Year ended March 31, 2014		Year ended March 31, 2013	
	Number of options	Weighted average exercise price (Cdn$)	Number of options	Weighted average exercise price (Cdn$)
Opening balance	4,953,145	45.04	3,978,003	75.62
Granted	1,248,485	3.53	2,193,622	10.70
Forfeited	(2,144,373)	36.90	(282,481)	76.12
Expired	(929,069)	68.67	(935,999)	85.14
Closing balance	3,128,188	27.04	4,953,145	45.04
Exercisable	830,630	40.48	1,029,945	68.20

The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2014:

	Outstanding Options			Exercisable Options	
Exercise Price	Options	Remaining life (years)	Weighted average exercise price (Cdn$)	Options	Weighted average exercise price (Cdn$)
2.38 – 9.99	2,022,813	1.5	5.50	441,754	8.52
10.00 – 19.99	88,254	2.6	13.31	12,504	10.28
20.00 – 29.99	-	-	-	-	-
30.00 – 39.99	82,750	2.0	36.94	4,250	36.09
40.00 – 49.99	202,872	1.8	45.17	55,997	43.74
50.00 – 59.99	94,000	2.1	51.75	1,750	54.21
60.00 – 69.99	106,625	1.6	62.98	33,375	60.84
70.00 – 79.99	53,750	1.1	72.65	29,750	71.89
80.00 – 89.99	167,750	0.8	81.95	118,500	81.97
90.00 – 99.99	166,000	1.1	95.61	86,250	95.43
100.00 – 109.99	128,499	1.2	103.58	42,125	105.19
110.00 – 112.64	14,875	0.8	111.30	4,375	111.30
	3,128,188	1.5	27.04	830,630	40.48

The weighted average share price during the year ended March 31, 2014 was $4.49 (2013 - $14.91).

(c) Fair value measure of equity instruments granted

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average inputs:

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Grant-date fair value	Cdn$1.66	Cdn$3.92
Market price per share	Cdn$3.53	Cdn$10.64
Exercise price per option	Cdn$3.53	Cdn$10.70
Expected volatility	102%	71%
Expected life (years)	1.7	2.2
Expected dividend rate	0%	0.1%
Risk-free interest rate	1.1%	1.1%
Expected forfeiture rate	7%	8%

Expected volatility was determined based on the historical movements in the closing price of the Company's stock for a length of time equal to the expected life of each option. See note *d.* below for categorization of share-based payment expense during the period.

(d) Share-based compensation disclosure

The Company prepares its statement of comprehensive income/(loss) classifying costs according to function as opposed to the nature of the costs. As a result, share-based compensation expense is charged to various other headings in the statement of comprehensive income (loss).

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Share-based compensation expense included in:		
Exploration and evaluation assets	627	1,029
Production and operating expenses	370	1,255
Exploration and evaluation expenses	2,110	6,230
Share-based compensation expense	7,948	10,894
Restructuring costs	(6,944)	-
Total	4,111	19,408

23. Revenue

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Natural gas sales	123,868	190,513
Oil and condensate sales	30,544	45,690
Less:		
Royalties	(5,042)	(9,239)
Government's share of profit petroleum	(19,968)	(27,600)
Oil and natural gas revenue	129,402	199,364

Revenues from oil and gas sales to Petrobangla comprised 36 percent of natural gas, oil and condensate sales for the year ended March 31, 2014 (2013 - 23 percent).

24. Exploration and evaluation expenses

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Geological and geophysical	18,384	34,078
Exploration and evaluation	145,072	95,192
General and administrative	24,482	15,552
Production sharing contract annual payments	7,994	10,509
New ventures	423	11,250
Share-based compensation	2,110	6,230
Exploration and evaluation	198,465	172,811

25. Finance expense

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Interest expense	35,685	21,806
Accretion expense	29,531	8,678
Bank charges and other finance costs	780	3,284
Finance expense	65,996	33,768

26. Finance and other income

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Finance income	3,689	2,310
Other income	38,775	-
Finance and other income	42,464	2,310

Other income includes $38 million of combined proceeds from the farm-out of the Grand Prix block in Madagascar and the agreement related to the Semai V block in Indonesia, a recorded benefit from the transfer of the Company's interest in a Canadian producing property as a part of the retirement agreement with the former President and Chief Executive Officer, an insurance premium refund in India relating to prior years, and proceeds from a data licensing agreement in Brazil.

27. Restructuring costs

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Contract settlement	38,393	-
Severance and retirement arrangements	3,132	-
Advisory cost	580	-
Share-based compensation recovery	(6,944)	-
Restructuring costs	35,161	-

Severance and retirement arrangements include amounts paid to the Company's former President and Chief Executive Officer and other employees. Share-based compensation recovery is related to employee stock options that were forfeited during the year as a result of restructuring efforts.

28. Taxes

(a) Income tax expense

The Company pays income tax in India for the Hazira, Surat and D6 Blocks. India's federal tax law contains a tax holiday deduction for seven years for profits from the commercial production of mineral oil. As a result of the tax holiday provision in India, the Company pays the greater of 43.26 percent of taxable income in India after a deduction for the tax holiday or a minimum alternate tax of 19.44 percent of Indian income. Indian income is calculated in accordance with Indian generally accepted accounting principles. See discussion of the application of the tax holiday provisions in contingency note 34e.

The Company does not make payments to the Government of Bangladesh for Block 9 with respect to income tax.

The Company is subject to tax on income earned in the other jurisdictions in which it operates, however, the Company does not have significant oil and gas revenues in these jurisdictions. Income items taxed include interest income and capital gains. Income tax on these items was not significant during the period.

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Current year	2	2,377
Adjustment for prior years	-	(2,666)
Current tax expense / (reduction)	2	(289)
Minimum alternate tax expense	-	-
Origination and reversal of temporary differences	(174,654)	47,234
Recognition of previously unrecognized tax losses	-	675
Recognition of equity portion in convertible notes payable	-	(7,475)
Deferred income tax expense / (reduction)	(174,654)	40,434
Total tax expense / (reduction)	(174,652)	40,145

(b) Reconciliation of effective tax rate

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Loss for the year	(657,006)	(216,496)
Total tax recovery / (expense)	174,652	(40,145)
Loss excluding tax	(831,658)	(176,351)
Tax using the Company's domestic tax rate (25%)	(207,914)	(44,088)
Share-based compensation expensed	1,987	2,724
Income subject to tax holiday	(17,618)	(42,310)
Income exempt from tax	(1,109)	7,332
Adjustment to foreign statutory tax rates	(94,054)	(20,090)
Capital gains rate difference	-	376
Foreign tax credits	(1,361)	7,005
Other non-deductible expenses	5,069	4,882
Difference between current and future income tax rates	-	78,195
Unrecognized deferred tax asset	153,508	42,738
Prior year adjustments	(15,286)	-
Other	2,126	3,381
Total tax expense / (reduction)	(174,652)	40,145

(c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following temporary differences:

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Deductible temporary differences	503,721	264,967
Capital tax losses	30,856	29,968
Non-capital tax losses	143,656	213,037
	678,233	507,972

The deductible temporary differences do not expire. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom. The Canadian capital tax losses expire in fiscal 2029 ($2 million), fiscal 2030 ($1 million), fiscal 2031 ($12 million), fiscal 2032 ($13 million), and fiscal 2034 ($3 million). The Canadian non-capital tax losses expire in fiscal 2027 ($0.1 million), fiscal 2029 ($1 million), fiscal 2030 ($12 million), fiscal 2031 ($27 million), fiscal 2032 ($22 million), fiscal 2033 ($22 million) and fiscal 2034 ($58 million). The remaining tax losses are in foreign countries and do not expire. The Company recognized $366 million of previously unrecognized tax losses in the year.

The Company has temporary differences associated with its investments in its foreign subsidiaries, branches and interests in joint ventures. At March 31, 2014, the Company has no deferred tax liabilities in respect of these temporary differences.

(d) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
(thousands of US Dollars)	2014	2013	2014	2013	2014	2013
Exploration and evaluation assets	-	-	(22,846)	(181,091)	(22,846)	(181,091)
Property, plant and equipment	-	-	(28,888)	(24,119)	(28,888)	(24,119)
Decommissioning obligations	12,919	11,353	-	-	12,919	11,353
Capital lease obligation	15,969	12,765	-	-	15,969	12,765
Convertible debentures	-	-	(3,165)	(7,110)	(3,165)	(7,110)
Minimum alternate tax credit [(1)]	49,638	54,605	(65,306)	(78,195)	(15,668)	(23,590)
Unused losses	31,223	26,683	-	-	31,223	26,683
Tax assets / (liabilities)	109,749	105,406	(120,205)	(290,515)	(10,456)	(185,109)

Movements in deferred tax balances during the year are as follows:

(thousands of US Dollars)	As at March 31, 2013	Recognized in profit or loss	As at March 31, 2014
Exploration and evaluation assets	(181,091)	158,245	(22,846)
Property, plant and equipment	(24,119)	(4,769)	(28,888)
Decommissioning obligations	11,353	1,566	12,919
Capital lease obligation	12,765	3,204	15,969
Convertible debentures	(7,110)	3,945	(3,165)
Minimum alternate tax credit [(1)]	(23,590)	7,922	(15,668)
Unused losses	26,683	4,540	31,223
Tax assets / (liabilities)	(185,109)	174,654	(10,456)

(1) The utilization of the minimum alternate tax credit is dependent on future taxable profits from the D6 Block. Minimum alterative tax ("MAT") paid can be carried forward for 10 years and deducted against regular income taxes in future years. As a result, the Company also recognizes the MAT tax as a deferred tax asset on the statement of financial position and a deferred income tax recovery in the statement of comprehensive income. Based on cash flow projections from the reserve report for the D6 Block, the Company expects to realize the benefit of the tax credit.

29. Earnings per share

The earnings used in the calculation of basic and diluted per share amounts are as follows:

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Net loss	657,006	216,496

A reconciliation of the weighted average number of ordinary shares for the purpose of calculating basic earnings per share to the weighted average number of ordinary shares for the purpose of calculating diluted earnings per share is as follows:

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Weighted average number of common shares used in the calculation of basic earnings per share	75,742,742	57,633,285

As a result of the net loss in the years ended March 31, 2014 and 2013, the outstanding stock options and shares issuable upon conversion of the outstanding notes as at March 31, 2014 were considered anti-dilutive to the loss per share and were excluded from the weighted average number of common shares for the purposes of diluted earnings per share. The average market value of the Company's common shares for purposes of calculating the dilutive effect of stock options for the periods was based on quoted market prices for the periods that the options were outstanding. See note 16 and 18 for details of the conversion of the convertible notes and senior unsecured notes payable.

30. Segmented information

(a) Products and services from which reportable segments derive their revenues

The Company's operations are conducted in one business sector, the oil and natural gas industry. All revenues are from external customers. All of Bangladesh sales are received from one customer and this customer accounted for 36 percent of sales during the year ended March 31, 2014 (2013 – 23 percent).

(b) Determination of reportable segments

Geographical areas are used to identify the Company's reportable segments. A geographic segment is considered a reportable segment once its activities are regularly reviewed by the Company's management. The accounting policies of the information of the reportable segments are the same as those described in the summary of significant accounting policies.

(c) Segment assets, revenues and results

(thousands of US Dollars)	Year ended March 31, 2014		Year ended March 31, 2013	
	Additions to:			
Segment	Exploration and evaluation assets (E&E)	Property, plant and equipment (PP&E)	Exploration and evaluation assets (E&E)	Property, plant and equipment (PP&E)
Bangladesh	-	9,664	-	2,231
Brazil	760	16	-	90
India	19,863	28,140	723	7,952
Indonesia	60,981	21,527	133,980	11,021
Kurdistan	183	-	537	(184)
Madagascar	11	-	-	-
Pakistan	-	-	-	-
Trinidad	9,930	3,333	39,002	11,041
All other	-	214	-	597
Total	91,728	62,894	174,242	32,748

(thousands of US Dollars)	As at March 31, 2014			As at March 31, 2013		
Segment	Total E&E	Total PP&E	Total Assets	Total E&E	Total PP&E	Total Assets
Bangladesh	4,737	25,660	46,406	4,737	22,916	35,918
Brazil	-	61	1,025	-	67	661
India	106,817	418,033	711,553	86,997	492,073	653,584
Indonesia	-	19,834	61,898	497,579	12,741	577,311
Kurdistan	-	-	9	11,866	-	15,024
Madagascar	560	16	1,041	1,200	30	1,412
Pakistan	-	-	21	-	12	87
Trinidad	55,551	68,494	129,710	93,245	65,377	169,591
All other	-	605	32,928	-	950	40,219
Total	167,665	532,703	984,591	695,624	594,166	1,493,807

(thousands of US Dollars)

Year ended March 31, 2014

Segment	Natural gas, condensate and oil sales	Government share of profit petroleum	Royalty expense	Production and operating expenses	Depletion and depreciation expenses	Exploration and evaluation expenses	Loss on investments and derivatives	Share-based compensation	Asset impairment	General and administrative expenses	Restructuring costs	Finance and other income	Finance expense and foreign exchange (loss) gain	Income tax reduction / (expense)	Segment profit (loss)
Bangladesh	55,065	(18,611)	-	(16,711)	(6,920)	(197)	-	-	-	-	(3)	-	-	-	12,623
Brazil	-	-	-	-	(23)	(5,102)	-	-	(298)	-	-	721	-	-	(4,702)
India	98,876	(1,357)	(5,047)	(25,370)	(101,400)	(1,448)	-	-	-	-	-	-	-	13,808	(21,938)
Indonesia	-	-	-	-	(233)	(161,036)	-	-	(478,427)	-	(36,031)	20,000	-	160,843	(494,884)
Kurdistan	-	-	-	-	-	(241)	-	-	-	-	-	-	-	-	(241)
Madagascar	-	-	-	-	(14)	(1,116)	-	-	-	-	-	18,054	-	-	16,924
Pakistan	-	-	-	-	(4)	(194)	-	-	(8)	-	-	-	-	-	(206)
Trinidad	-	-	-	-	(113)	(28,717)	-	-	(32,830)	-	(9)	-	-	-	(61,669)
Canada	471	-	5	(284)	(515)	(60)	(1,342)	(7,948)	-	(9,520)	1,112	3,689	(72,394)	1	(86,785)
All other	-	-	-	-	-	(354)	(15,544)	-	-	-	(230)	-	-	-	(16,128)
Total	154,412	(19,968)	(5,042)	(42,365)	(109,222)	(198,465)	(16,886)	(7,948)	(511,563)	(9,520)	(35,161)	42,464	(72,394)	174,652	(657,006)

(thousands of US Dollars)

Year ended March 31, 2013

Segment	Natural gas, condensate and oil sales	Government share of profit petroleum	Royalty expense	Production and operating expenses	Depletion and depreciation expenses	Exploration and evaluation expenses	Loss on investments and derivatives	Share-based compensation	Asset impairment	General and administrative expenses	Restructuring costs	Finance and other income	Finance expense and foreign exchange (loss) gain	Income tax reduction / (expense)	Segment profit (loss)
Bangladesh	53,335	(18,049)	-	(10,278)	(12,441)	(361)	-	-	-	-	-	-	-	-	12,206
Brazil	-	-	-	-	-	(13,956)	-	-	-	-	-	-	-	-	(13,956)
India	182,442	(9,552)	(9,255)	(26,042)	(131,480)	(1,300)	-	-	101,544	-	-	-	-	(82,281)	24,076
Indonesia	-	-	-	-	(195)	(92,206)	-	-	(16,281)	-	-	311	-	34,671	(73,700)
Kurdistan	-	-	-	-	-	(1,851)	-	-	(38,919)	-	-	-	-	-	(40,770)
Madagascar	-	-	-	-	(28)	(1,258)	-	-	-	-	-	-	-	-	(1,286)
Pakistan	-	-	-	-	(6)	(1,254)	-	-	-	-	-	-	-	-	(1,260)
Trinidad	-	-	-	-	(128)	(58,445)	-	-	(12,631)	-	-	-	-	-	(71,204)
Canada	427	-	16	(458)	(972)	(2,180)	(2,106)	(10,894)	(1)	(6,931)	-	1,999	(36,968)	7,466	(50,602)
All other	-	-	-	-	-	-	-	-	-		-	-		-	-
Total	236,204	(27,601)	(9,239)	(36,778)	(145,250)	(172,811)	(2,106)	(10,894)	33,712	(6,931)	-	2,310	(36,968)	(40,144)	(216,496)

31. Guarantees

(thousands of US Dollars)	As at March 31, 2014	As at March 31, 2013
Guarantees included in restricted cash		
Bank guarantee[1]	8,701	-
Performance security guarantee[2]	3,030	7,991
Total guarantees	11,731	7,991

(1) The Company has provided a bank guarantee to Reliance, the operator of the D6 Block, in connection with the anticipated requirements of the Domestic Natural Gas Guidelines, 2014, whereby a bank guarantee was to be provided by Reliance to the GOI as security in the case of an adverse outcome of the D6 arbitration proceedings. The Company provided funds to support the bank guarantee. See note 2 and 35 for details.

(2) The Company has provided performance security guarantees related to the work commitments for certain exploration blocks. The Company is required to provide funds to support the guarantees. The guarantees are cancelled when the Company completes the work required under the exploration period.

32. Related-party transactions

(a) Oil and gas property

The Company had a 45 percent interest in a Canadian property that was operated by a related party, a Company owned by the former President and Chief Executive Officer of Niko Resources Ltd. This joint interest originated as a result of the related party buying the interest of the third-party operator of the property in 2002. In December 2013, the former President and Chief Executive Officer retired from his position and the Company transferred the property as part of his retirement arrangement, resulting in the change in Company's interest to nil. The transactions with the related party were not significant to the operations or the consolidated financial statements. The transactions with the related party were measured at the estimated fair value.

(b) Key management personnel

Key management personnel of the Company include directors and executive officers. Non-management directors receive an annual fee and participate in the Company's stock option program. Executive officers (Chief Executive Officer/President, Chief Financial Officer and Chief Operating Officer) receive a salary, are eligible for an annual bonus and participate in the Company's stock option program. The Company does not have other short-term benefits, defined contribution plans or defined benefit plans and does not provide post-employment benefits.

Key management personnel compensation comprised the following:

(thousands of US Dollars)	Year ended March 31, 2014	Year ended March 31, 2013
Annual fee for non-management directors	223	150
Executive officers – salary[2]	4,252	1,822
Share-based payments[1]	1,356	4,771
	5,831	6,743

(1) The value of share-based payments related to stock options granted during the year is estimated using the Black-Scholes option-pricing model. See note 22 for further details.

(2) Executive officers salary amount includes former President and Chief Executive Officer's retirement arrangement and consulting fees to the current President during the year.

33. Commitments and contractual obligations

(a) Exploration commitments

The Company has minimum work commitments as specified in the PSCs for its exploration properties. The Company may apply for extensions to commitment deadline if it is unable to fulfill the commitment by the deadline or may relinquish the property (see note 2). The estimated cost of the minimum work commitments is as follows:

(thousands of US Dollars)	Work Commitment	Exploration period
Indonesia	139,000	Various[(1)]
Trinidad and Tobago	133,320	Various[(2)]
Madagascar	3,333	September 2015
Brazil	3,313	September 2018
Total	278,966	

(1) The deadlines for fulfilling the work commitments in Indonesia are: $100 million by November 2014; $1 million by December 2014 and $38 million by May 2015. The Company has applied or plans to apply for extensions to commitment deadlines if it is unable to fulfill the commitment by the deadline. Pursuant to an exploration option agreement (see note 17), if a well is not spud in an applicable block in Indonesia prior to July 2016, the Company is obligated to pay approximately $5 million to the option holder.

(2) The deadlines for fulfilling the work commitments in Trinidad and Tobago are: $5 million by July 2014; $64 million by April 2015, $11 million by December 2015 and $54 million by April 2016. The Company has applied or plans to apply for extensions to commitment deadlines if it is unable to fulfill the commitment by the deadline.

(b) Finance lease obligation

The Company has recognized a finance lease for the floating, production, storage and offloading vessel ("FPSO") used in the D6 Block in India. The fair value of $48 million for the finance lease is calculated based on future lease payments discounted at a rate of 11.65 percent. The finance lease asset is included in producing properties within property, plant and equipment and the net carrying amount is $27 million. The future minimum lease payments as at the end of the reporting period and their net present value are:

	Lease payments
<1 year	10,757
1 - 5 years	36,778
Subtotal	47,535
Imputed interest	(10,511)
Carrying value	37,024

The lease has an initial charter period of 3,650 days maturing in August 2018, which is cancellable by paying exit costs. The Company has an option to purchase the leased asset.

(c) Contract settlement obligation

In December 2013, the Company entered into a settlement agreement related to drilling rig contracts in Indonesia and Trinidad (see note 19a). The future minimum payments relate to this agreement are as follows:

(thousands of US Dollars)	Payments
<1 year	5,000
1 - 5 years	50,000
Total	55,000
Imputed interest	(20,314)
Carrying value	34,686

In the first quarter of fiscal 2015, the Company made a payment of $15 million on the contract settlement obligation, using a portion of the proceeds of the sale of its interest in Block 5(c). See note 35 for details.

(d) Deferred obligation

In December 2013, as a condition of the term loan facilities agreement, the Company entered into an agreement related to D6 Block in India (see note 14 and 19b). The estimated future minimum payments related to this agreement are as follows:

(thousands of US Dollars)	Payments
1 - 5 year	89,461
> 5 years	71,413
Subtotal	160,874
Imputed interest	(82,205)
Carrying value	78,669

34. Contingent liabilities

a. The Company's indirect subsidiary, Niko Resources (Bangladesh) Ltd. ("NRBL"), is a party to two arbitration disputes to be decided upon by a tribunal panel under the International Centre for Settlement of Investment Disputes ("ICSID"). These disputes are related to its joint venture agreement ("JVA") with Bangladesh Petroleum Exploration & Production Company Limited ("BAPEX") for the Feni and Chattak fields in Bangladesh and to its Feni Gas Purchase and Sales Agreement ("GPSA") with Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla"):

1. Dispute over compensation claims arising from the uncontrolled flow problems that occurred in Chattak field in January and June 2005, including the claims raised in the pleadings filed in the Money Suit discussed below.
2. Dispute over payment for gas delivered from the Feni field from and after November 2, 2004 under the Feni GPSA with Petrobangla. NRBL's share of the gas sales proceeds under dispute is $27 million.

In August 2013, the ICSID Tribunal delivered its decision that ICSID does have jurisdiction over the two arbitrations.

In September 2013, NRBL filed its memorials with the ICSID Tribunal in respect to the merits of each of the arbitration disputes. The hearing for the gas payment dispute for $27 million concluded in the last week of April 2014 and the final award is expected in fiscal 2015. The hearing for the compensation claim is scheduled for late October 2014. It is anticipated that the ICSID process could reach conclusion over the next twelve to fifteen months, prior to the Money Suit (discussed below) which could provide substantial grounds for resolution of the Money Suit on the grounds that the issues have already been adjudicated by a competent arbitration tribunal under ICSID which is binding on the Government of Bangladesh.

During the year ended March 31, 2006, NRBL received a letter from Petrobangla demanding compensation related to the uncontrolled flow problems that occurred in the Chattak field in January and June 2005, and in June 2008, NRBL was named as a defendant in a lawsuit (the "Money Suit") that was filed in Bangladesh by the GOB and Petrobangla, demanding compensation as follows:

i. $5.3 million for 3 Bcf of free natural gas delivered from the Feni field as compensation for the burnt natural gas;
ii. $10.3 million for 5.89 Bcf of free natural gas delivered from the Feni field as compensation for the subsurface loss;
iii. Bangladesh Taka 845.58 million ($11 million) for environmental damages, an amount subject to be increased upon further assessment;
iv. Bank guarantee for $78.8 million for 45 Bcf of natural gas as compensation for further subsurface loss to be finally determined on the basis of production data and analysis; and
v. any other claims that arise from time to time.

Various court dates for the Money Suit have been set at which the proceedings have been progressing at a slow pace with the next hearing scheduled in July 2014. At a hearing in September 2013, NRBL's counsel filed applications requesting the proceedings be removed from the ex parte hearing list and applying for a stay of the proceeding in view of the arbitration proceedings described above and on other grounds. If NRBL were to lose the ICSID arbitration and/or the Money Suit, the Company may lose its rights to the assets of NRBL (including the receivable for gas sales supplied under the GPSA). The Company believes that the outcome of the ICSID arbitration and/or the Money Suit and the associated cost to the Company, if any, are not determinable. As such, no amounts have been recorded in these consolidated financial statements.

Settlement costs, if any, will be recorded in the period of determination.

b. In accordance with natural gas sales contracts to customers of production from the Hazira field in India, the Company had committed to deliver certain minimum quantities and was unable to deliver the minimum quantities for a period ending December 31, 2007. The Company's partner in the Hazira field delivered the shortfall volumes in return for either: (a) delivery of replacement volumes five times greater than the shortfall; (b) a cash payment; or (c) a combination of (a) and (b). The Company's partner has served a notice of arbitration as the Company is unable to supply gas from the D6 block to the partner and the arbitration process has commenced. The Company estimates the cash amount to settle the contingency at US$11.6 million. The Company believes that the agreement with its partner is not effective as the GOI's gas utilization policy prevents the Company from supplying the gas to the partner. The arbitration is in process and the matter is sub judice in a court of law. The Company believes that the outcome is not determinable.

The Company may not be able to supply gas to a customer in Hazira whose contract runs until mid-2016. The Company had previously planned to supply gas from the D6 Block to the customer. Due to a change in the gas allocation policy by the GOI, the Company may not be able to fulfill the contract with gas supply from the D6 Block. The Company has notified the customer that the underperformance of reservoir is a force majeure event. The customer does not agree with this position and has served a notice of arbitration on the Company. The arbitration is in process and the matter is sub judice in a court of law. The Company believes that the outcome is not determinable.

c. The calculation of the government share of profit petroleum for Hazira field has been made based on the assumption that all expenditures incurred and claimed by the Hazira joint venture would be allowable for cost recovery. The audited accounts with details of expenditure incurred in excess of the budgeted expenditure have been submitted, where applicable, up to the year 2011-2012. Approval has been received for cost overruns till fiscal year 2009-2010. Some of the cost overruns have not been approved by the GOI. Necessary clarifications have been provided by the Company on the issues disputed by the GOI. If expenditures in excess of the previously approved expenditures are disallowed by the GOI, the GOI's share of profit petroleum for the Hazira field would increase by approximately $1 million, with interest due of approximately $1 million. In addition, GOI has disputed the methodology of calculation of royalties due to the GOI on natural gas sales in Hazira, with the Company's share of the disputed amounts totaling approximately $1 million, along with interest of approximately $1 million. The disputed amounts have been paid to the GOI and recorded as long-term receivables. The Company has commenced arbitration proceedings against the GOI challenging the above actions on cost recovery and royalty. The Company believes that the outcome of the disputes is not determinable. If the Company is unsuccessful on these disputes, the long-term receivables will be written off.

d. In a May 2012 letter, the GOI alleged that the D6 contractor group is in breach of the PSC for the D6 Block as they failed to drill all of the wells and attain production levels contemplated in the Addendum to the Initial Development Plan for the Dhirubhai 1 and 3 fields. The GOI further asserted that certain joint venture costs are therefore disallowed for cost recovery. The contractor group is of the view that the disallowance of recovery of costs incurred by the joint venture has no basis in the terms of the PSC and that there are strong grounds to challenge the action of the GOI. The contractor group has commenced arbitration proceedings against the GOI challenging the allegations and the disallowance of cost recovery. In a November 2013 letter, the GOI updated their preliminary estimate of disallowed costs as at March 31, 2013 to $1.8 billion. The Supreme Court of India has appointed an international arbitrator as the lead arbitrator for the three-member arbitral panel. To the extent that any amount of joint venture costs are disallowed, such amount would be removed from calculation of profit petroleum, a portion of which would be payable to the GOI under the PSC. Because profit petroleum percentages for the contractor group and the GOI change as the contractor group recovers specified percentages of their investments, the potential impact on the GOI's share of profit petroleum is dependent on the future revenue and expenditures in the block and cannot be precisely determined. Based on the current profit petroleum percentage of 90 percent for the contractor group and 10 percent for the GOI, if the GOI were to be successful in the cost recovery arbitration and the entire $1.8 billion ($180 million Niko share) of costs were disallowed, Niko's share of the potential impact would be a total of $18 million, of which $7 million would relate periods up to March 31, 2014 and $11 million would relate to future periods.

e. The Company has filed its income tax returns in India for the taxation years 1998 through 2008 under provisions that provide for a tax holiday deduction for eligible undertakings related to the Hazira and Surat fields.

The Company has received unfavorable tax assessments related to taxation years 1998 through 2009. The assessments contend that the Company is not eligible for the requested tax holiday because: a) the holiday only applies to "mineral oil" which excludes natural gas; and/or b) the Company has inappropriately defined undertakings. The taxation years 2010 and

later have not yet been assessed by the tax authorities. The Company has appealed the tax assessments and has received favorable rulings at the second level of four possible levels of appeals, the Tribunal Court. This decision has been appealed by the Indian tax department to the third level of appeals, the High Court. The fourth level of appeals is the Supreme Court.

In August 2009, the GOI through the Finance (No.2) Act 2009 amended the tax holiday provisions in the Income Tax Act (Act). The amended Act provides that the blocks licensed under the NELP-VIII round of bidding and starting commercial production on or after April 1, 2009 are eligible for the tax holiday on production of natural gas. However, the budget did not address the issue of whether the tax holiday is applicable to natural gas production from blocks that have been awarded under previous rounds of bidding, which includes all of the Company's Indian blocks. The Company has previously filed and recorded its income taxes on the basis that natural gas will be eligible for the tax holiday.

With respect to undertakings eligible for the tax holiday deduction, the Act was amended to include an "explanation" on how to determine undertakings. The Act now states that all blocks licensed under a single contract shall be treated as a single undertaking. The Company was granted an interim relief by the High Court on instructing the tax Department to not give effect to the "explanation" referred to above retrospectively until the matter is clarified in the courts.

The decision regarding retrospective application of the definition of undertaking and whether or not mineral oil includes natural gas for purposes of tax holiday claim is currently pending with the High Court.

Based on the circumstances described above, the Company continued to calculate its income tax provision in accordance with its earlier practice of treating a single well / cluster of wells as a single undertaking and considering the production of natural gas as eligible for the tax holiday claim. However, to avoid interest and penalties, the Company post amendment of the Income tax act has paid its income tax excluding the tax holiday deduction and has filed its income tax return without tax holiday deduction so as not deemed to be in violation of the current legislation.

Should the High Court overturn the rulings previously awarded in favor of the Company by the Tribunal court, and the Company either decides not to appeal to the Supreme Court or appeals to the Supreme Court and is unsuccessful, the Company would have to accordingly change its tax position and record a tax expense of approximately $52 million (comprised of additional taxes of $33 million and write off of approximately $19 million of the net income tax receivable). In addition, the Company could be obligated to pay interest on taxes for the past periods.

f. The Cauvery and D4 Blocks in India are under relinquishment. The Company believes it has fulfilled all commitments for the Cauvery block while the GOI contends that the Company has unfulfilled commitments of up to approximately $2 million. The Company believes the outcome is currently not determinable.

g. Various lawsuits have been filed against the Company for incidents arising in the ordinary course of business. In the opinion of management, the outcome of the lawsuits, now pending, is not determinable or not material to the Company's operations. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

35. Subsequent Events

India Domestic Gas Pricing Arbitration

In May, 2014, Reliance, BP and Niko, the contractor group of the D6 block in India, issued a notice of arbitration to the GOI seeking the implementation of the Domestic Natural Gas Pricing Guidelines, 2014. The GOI had formally announced the "Domestic Natural Gas Pricing Guidelines, 2014" in January, 2014, reflecting the Cabinet Committee on Economic Affairs approval in June 2013 of a new gas pricing formula for domestic gas sales in India. The pricing formula, based on the recommendations of the Rangarajan Committee report issued in December 2012, incorporates the prices of LNG imported into India and the prices of gas sold in North America, Europe and Japan, and was to be effective on April 1, 2014 for a period of 5 years, with the prices to be updated on a quarterly basis based on the trailing four quarters of pricing information with a lag of one quarter. Notifications of the price resulting from the formula were to be issued in the month prior to the start of each quarter. In March 2014, the GOI failed to notify the new price calculated using the approved pricing formula, and under protest, but in good faith, the contractor group for the D6 block has kept supplying gas to its customers, with the customers continuing to pay for the gas under the terms of the contracts that had expired on March 31, 2014. As a result, the contractor group filed an international arbitration claim to secure a market price for gas as per the terms of the production sharing contract for the D6 block. In June 2014, the GOI announced a deferral of the price notification to be effective October 1, 2014.

Block 5(c) Sale

In June, 2014, the Government of Trinidad and Tobago approved the sale of the Company's 25 percent interest in Block 5(c) in Trinidad and Tobago to a subsidiary of the BG Group, and the Company received net proceeds of $61 million. A portion of the net proceeds were used to repay $15 million of contract settlement obligations and $20 million of principal outstanding under the Facility E loan. Under the terms of the term loan facilities agreement, the Company has made a prepayment offer of $26 million to the holders of the Facility A term loan and the decision of the lender group was to decline the offer, resulting in additional cash being available for funding of the anticipated cash requirements of its operating subsidiaries in India and Bangladesh, its corporate general and administrative expenses, and its interest obligations.